

Crisis of Conscience Overtakes Poland's Party

A Loyalist's Lament: 'How Many Times Can One Believe All Over Again?'

By John Darnon
New York Times Service

WARSAW — The letter began "Comrade Secretary," and it got right to the point. "I hereby return my party card," wrote Tadeusz Lomnicki, the country's foremost actor, who for 30 years had been a party member, rising to the heights of the Central Committee. He went on to say, "I can't do anything else."

The letter is a cry of conscience. Mr. Lomnicki described his 30 years of work in the party, his belief in the ideals of Socialism and justice that he clung to through the years of Stalinism, the hopes aroused by the 1956 rise of Wladyslaw Gomulka, the "betrayal" of that hope in Mr. Gomulka's later years, the anti-intellectual purges of 1968, the stagnation of the 1970s. Then came the "renewal" of Solidarity, and Mr. Lomnicki's faith in "a chance for Socialism in Poland" was renewed.

"Right now, 15 months from that time, I do not find any internal justification for maintaining that position. For I have lost hope in the purpose of all action," he wrote. "How many times can one believe all over again?"

Mr. Lomnicki is not alone. Thousands of loyal party members are turning in their party cards. In some factories, according to sources, entire baskets are filled with the cards.

Mass resignation is only one symptom of distress in the Polish United Workers' (Communist) Party. Another is the call, surfacing from time to time in the tightly controlled media, for purges and a return to the "purity" of Marxism-Leninism — unmistakable hints that an ideological struggle is under way in the party hierarchy.

Observers find it noteworthy that six weeks after the Dec. 13 imposition of martial law the party's Central Committee still has not met. This is regarded both as a sign of its impotence and as proof that the factionalism characteristic of the Polish crisis for the last 16 months have not disappeared.

"The evident disarray in the party raises obvious problems for the military," a Western observer said. "At some point the army will have to retreat to the barracks and hand power back over to civilians. Who will they hand it to?"

Throughout the country, special groups are being set up called "civic committees of national redemption." One newspaper, Dziennik Ludowy, run by the Communist-affiliated Peasants' Party, said last Wednesday that "only a dozen days ago there were very few of them, today they number in the thousands."

The newspaper called the committees, intended to support the military takeover, "a spontaneous initiative" and said they represented "an expression of the social intention to support all the forces which want to build, create and change for the better the complicated and difficult situation of today."

The intent behind the establishment of the committees is unclear. Some observers regard it as an attempt to rebuild the party under a different name. Others believe the committees could grow into rivals of local party organizations.

A government official, who said his information came from reliable party sources, said Saturday that in a one-month period after the imposition of martial law, 17,000 cards had been returned. He said the party was now conducting a purge to "clean out all the people who are wavering" and that so far 45,000 members had been expelled. An additional 24,000 people have been crossed off party lists, a lesser penalty that can be reversed later, he said.

The official said that 150 party organizations had been dissolved, among them party units at the Huta Katowice steel mill, the Elwro factory in Wroclaw and Lublin University.

On Dec. 13 there were 2.75 million members, far below the level of 3.2 million reached two years ago. But among those 2.75 million only about one-quarter were truly active, the official said.

The official summed up the party leadership's assessment of the situation as follows: "A shock occurred after Dec. 13. But the activists soon understood that this is a chance to rebuild the party. There is a chance that the party can consolidate itself and come out with a program that is popular."

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NEW YEAR DAZZLE — Five tons of fireworks were launched from three barges in Hong Kong's harbor Monday night to mark the beginning of the Year of the Dog. Radio stations played classical music in synchronization with the 20-minute display, which cost \$172,000.

Mubarak Says Economic Reform Requires Sacrifice by Egyptians

By William E. Farrell
New York Times Service

CAIRO — President Hosni Mubarak said Tuesday that his primary goal of economic reform would require individual sacrifice from the Egyptian people and cautioned officials of his party not to undermine the government's credibility by "exaggerating hopes and promises."

In a sobering half-hour address on national television, Mr. Mubarak, who was routinely elected head of the ruling National Democratic Party on Tuesday, dwelled on Egypt's faltering economy and said new steps must be taken within "a social framework that is quite clear."

"Egypt belongs to all the people," Mr. Mubarak said, "and so the wealth of this country should not be restricted to a privileged few, nor should the grass roots be shouldering beyond what they can endure."

Austerity and Security

The focus of Mr. Mubarak's national talk, the fifth since he came to power after the assassination of President Anwar Sadat Oct. 6, was that economic change involved austerity and security.

"We would not like any of those big leaps," the president said, "but a gradual and cautious development for a maximum rate of growth."

"The government cannot alone perform miracles," he said. "There should be genuine mass sharing." In mid-February, he said, the country's leading economists would meet to formulate a five-year plan for Egypt. Mr. Mubarak said the nation's politicians should ensure that such a plan is "genu-

ine, honest and without hiding anything from the people and without exaggerating hopes and promises."

According to Tuesday's issue of the influential and semi-official newspaper, Al-Ahram, Mr. Mubarak has already imposed an austerity policy on the government. The newspaper reported that Mr. Mubarak has ordered a cessation of the lavish annual Oct. 6 military parade, the one at which Sadat was slain, and has earmarked the funds for the event for such things as military housing.

In addition, Al-Ahram said that Mr. Mubarak had decided to cancel the huge festivities planned by Sadat for late April, when Egypt is scheduled to receive the last part of the vast Sinai peninsula from Israel, which captured it during the 1967 war. Instead, the newspaper said, there would be restrained observances in Sinai's provincial capital of El Arish, and in the Egyptian parliament in Cairo.

Other austerity measures call for fewer cars for government ministries and for curtailing official foreign guests less extravagantly than has been the custom.

On Saturday, Mr. Mubarak leaves Egypt for state visits — his first as Egypt's president — to Rome, Paris, Washington, London and Bonn. He told his audience Tuesday that Egypt's efforts at

economic restructuring, which he said would not be "academic or theoretical," would rest in part on a foreign policy that "safeguarded the stability of Egypt."

"We are dealing with all countries with an open heart," he said reaffirming Egypt's commitment to a policy of nonalignment.

"The people of Egypt are a genuine Arabic and African people," he said. "We are committed to the Third World countries."

Mr. Mubarak alluded only briefly to Egypt's peace treaty with Israel, saying his goal was to expand the scope of peace agreements in the Middle East.

Referring to efforts to establish a form of self-rule for the Palestinian Arabs of the Israeli-occupied West Bank of the Jordan River and the Gaza Strip, Mr. Mubarak said: "Foremost comes the people of Palestine, who have the right of self-determination."

The autonomy issue, on which Israel and Egypt have been unable to agree, is the subject of a visit here on Thursday by U.S. Secretary of State Alexander M. Haig Jr. It

Dole Seeks to Raise \$8-Billion Revenue by Tighter Minimum Tax

By Edward Cowan

New York Times Service

WASHINGTON — Bob Dole, chairman of the Senate Finance Committee, is drafting legislation that would raise \$8 billion a year of revenues by strengthening the present minimum taxes paid by corporations and individuals, committee aides reported.

Sen. Dole, Republican of Kansas, is understood to feel that the legislation would be an effective way for President Reagan and the Republican Party to respond to criticism that the 1981 tax bill gave excessive tax relief to business and wealthy individuals. The addi-

tional revenues would also help to shrink future budget deficits.

The administration was reported to have indicated to Sen. Howard H. Baker Jr., the Senate majority leader, that it would not oppose outright a stronger minimum tax on corporate income. Sen. Baker expressed support for such a tax during the weekend. Exactly how the administration would line up on a stronger minimum tax for individuals was unclear.

Senate aides said that the legislation being drafted would raise about \$6 billion from corporations and \$2 billion from individuals. The present minimum tax raised \$400 million from corporations in 1979 and roughly \$1 billion from individuals, the aides said.

If Sen. Dole can persuade his committee and the Senate to approve such a bill, acceptance by the Democratic-controlled House of Representatives would appear certain. Presently, the Senate-passed bill would be one that the administration could accept.

Business would almost surely oppose some aspects of the bill, but how broad and intense that opposition would be was unclear. Charles E. Walker, a leading business lobbyist, said Monday night that he was unaware of the details. Mr. Walker and his chief ally in the Treasury, undersecretary Norman B. Tur, have argued in the past that increased corporate taxes are ultimately paid by the company's customers, employees and shareholders.

Richard W. Rahn, chief economist of the U.S. Chamber of Commerce, said it was likely that the chamber would oppose any such bill because its policy this year is to oppose any tax increase of any kind. The Dole bill would, in effect, put a floor under some of the generous tax breaks for business enacted in the 1981 tax bill.

The Treasury has calculated that the 1981 act will reduce corporate tax payments by steadily growing amounts. By 1986, the Treasury told Congress last month, corporations will pay \$69 billion under the 1981 act whereas the old law they would owe \$122 billion.

'Alternative Tax'

The minimum tax, aides said, would be an "alternative tax" to be paid if it exceeded a corporation's income tax calculated in the conventional way.

The tax rate would be 15 percent. The sum subject to that rate would be the corporation's taxable income after the usual deductions plus certain "add-back" items. What those items are likely to be a matter of intense discussion during the legislative process.

Sen. Dole's thinking, it was said, is to "add back" accelerated depreciation (which can be calculated in several ways), the so-called excess part of deductions for research and development, income from tax-exempt bonds, export earnings of so-called DISC export corporations, charitable contributions, and deductions by trucking companies for the loss of value of their U.S. operating licenses.

The aides said that corporations would not be allowed to reduce their alternative minimum tax by applying tax credits for investment or taxes paid abroad. However, taxes paid abroad could be deducted from U.S. taxable income, which would give the foreign taxes a tax-saving value in the United States of 15 cents on the dollar.

IATA Members To Raise Fares 7% On North Atlantic

United Press International

GENEVA — Air fares between the United States and Europe will increase by an average of 7 percent starting March 1, the International Air Transport Association said.

David Kyd, an IATA spokesman, said a second increase is possible later this year, depending on fuel prices and other airline operating costs.

The March 1 increase results from an agreement by airlines last weekend at a meeting in Florida to adjust the North Atlantic fares structure, Mr. Kyd said.

While economy-class fares will be slightly lower, the three other agreed class categories will be more expensive. Those are first and business class and Advance Purchase Excursion, a discount rate known as APEX.

North Atlantic routes affected by the changes are those between the United States and Ireland, Britain, West Germany, Belgium, Netherlands, Portugal and Switzerland.

Chinese to Pursue Simplification Of Language Despite Complaints

United Press International

PEKING — The Communist Party has decided to push ahead with efforts to simplify the Chinese language and improve Roman-alphabet renderings of it, despite objections from some linguists, the People's Daily said Tuesday.

The Communist Party newspaper quoted Hu Qisong, a member of the Central Committee's secretariat and president of the Academy of Social Sciences, as reaffirming the policy and calling for further efforts in that direction.

In what the newspaper called "an important talk" to the Chinese Language Reform Commission, Mr. Hu said China must "take another step toward perfecting the formula for the simplification of Chinese." Simplification of the ornate and difficult language is necessary to make its use in telecommunications and computers easier, he said.

He also called for more use of Pinyin, a form of Chinese designed to cut through barriers caused by the myriad local dialects. Although Pinyin has been the official spoken Chinese for decades, local dialects have proved difficult to eradicate. Most people can understand Pinyin, but many speak with heavy accents unintelligible to Chinese from other parts of the country.

Some linguists oppose the language policies, arguing that they detract from the brevity and clarity of the language. Linguists also have said certain Chinese characters have been simplified to the point of confusion.



A sheriff stops a car from entering the area around the Ginna nuclear power plant in Ontario, N.Y. The plant was closed Tuesday after a pipe broke containing radioactive water. Steam can be seen being released from the plant as part of the cooling down process.

Emergency at N.Y. Nuclear Plant Declared Over

The Associated Press

ONTARIO, N.Y. — Officials at the Ginna nuclear plant Tuesday canceled an emergency declared 26 hours earlier when a tube rupture caused an internal leak and released puffs of radioactive steam into the atmosphere.

"There is still a lot of work, but the plant superintendent determined we are not in an emergency any more," said Richard Peck, a spokesman for Rochester Gas & Electric Co., the unit's owner.

After the rupture Monday, the utility declared a site emergency, the second most serious of four emergency classifications. Ten hours later, it was downgraded to nuclear alert, the third most se-

rious. Mr. Peck said the unit was now into "the recovery phase," with workers having returned to the plant.

The unit still needed to be brought to cold shutdown — a low-pressure, nonboiling state for the reactor's water system. Officials said Tuesday that the process was continuing smoothly and the temperature was expected to be brought below boiling, at about 200 degrees, "within a day."

The maximum radiation detected Monday was 3 millirems at the plant boundary, the utility said. Exposure to a chest X-ray is about 20 millirems, and a dose of 600,000 millirems is considered lethal.

Pentagon Aide Sees Sparing Use Of Lie Tests to Plug News Leaks

By George C. Wilson

Washington Post Service

WASHINGTON — Top civilian officials at the Pentagon "have no intention" of using lie detectors on a "widespread, regular" basis to plug leaks to the press, but "the security people might change [their] minds," a Defense Department official has said.

The official, Henry E. Catto Jr., assistant secretary of defense for public affairs, said in an interview Friday that such disclosures have "gotten out of hand" but that the Reagan administration has not decided what to do about it. Rules restricting the use of lie-detector tests within the government are under review at the Pentagon, however, raising the possibility that the administration will try to expand their use.

Mr. Catto oversees the release of information about the department and advises Defense Secretary Caspar W. Weinberger on policies designed to curb unauthorized disclosures.

"The game of using the press to influence policy before decisions are made has, I think, really hurt the ability of the people in this building to enjoy frank and open discussion, because you just don't know what's going to leak," Mr. Catto said.

"I mean, if you all thought that every editorial board meeting of The Washington Post was going to be on the front page of the Journal or The Times the next day, it would inhibit your freedom to plan and discuss what stories you're going to work on. It would be a difficult situation, and that's the situation we're in," he said.

The deputy defense secretary, Frank C. Caceres, ordered lie-detector tests in an unsuccessful attempt to find out who told The Washington Post about secret Defense Resources Board discussions Jan. 7. The Post's story disclosed

105 Reported Killed In Afghanistan Clashes

The Associated Press

ISLAMABAD, Pakistan — Forty-five Moslem insurgents and 60 Soviet soldiers were killed in separate battles last week in Afghanistan, Western diplomatic sources reported Tuesday.

They said that in one incident Soviet helicopters shot 45 anti-government irregulars a few miles north of Kabul after an attack. They also said that the rebels attacked a Soviet convoy to the east of Kabul, killing 60 Soviet soldiers and destroying a number of armored vehicles.

Vietnam-Era Espionage Thriller Ends for Pair in U.S. Jail Terms

By Philip Smith

Washington Post Service

WASHINGTON — They were the Vietnam War era's only convicted spies, caught stealing U.S. documents for the Communists in a classic espionage case that had intrigue, romance, code names and surveillance, personally approved by the president.

It also was a case laced with ambiguities. Operation "Magic Dragon," as the FBI called it, had no heroes.

Monday, after 3½ years of fruitless appeals, the two men — David Truong, former anti-war activist and Stanford-educated intellectual, and Ronald L. Humphrey, a former U.S. Information Agency employee — played out the final scene in Alexandria, Va., the site of their trial in 1978.

Their appeals reuffled earlier this month by the Supreme Court, Mr. Humphrey and Mr. Truong surrendered to U.S. marshals and were driven away separately to begin serving 15-year prison terms. Both said in recent interviews they had not communicated since the trial.

"I felt he deceived me," said Mr. Humphrey, 46, who was a USIA communications watch officer trying desperately to free the woman he loved from Communist-run postwar Vietnam when he first met Mr. Truong in Washington.

Major Role in Relationship

It was the bright, sophisticated Mr. Truong, many involved in the case agree, who played the major role in the relationship between the two men. "I don't believe we ever tapped Humphrey's phone, because Truong was the spy and Humphrey was the feeder," said former U.S. Attorney William B. Cummings, who led the prosecution.

"I think that I was a very vulnerable target, and they [the Justice Department] just decided to go after me," said Mr. Truong, the 36-year-old son of Truong Dinh Dzu, who ran for president of Vietnam in 1967 on a peace ticket. "I don't hold anything against Humphrey. He does what he thinks is important in his life, and I do mine."

Mr. Truong was forwarding books, pamphlets and, most importantly, Mr. Humphrey's USIA documents by courier to Vietnamese associates in Paris at the time of Vietnam-U.S. talks on normalizing postwar relations when the FBI arrested both men. The courier, it turned out, was a CIA agent known by the code name "Keyseat."

The arrests followed the first foreign intelligence security investigation in which a president — Jimmy Carter — approved electronic surveillance without war-

rants, including videotape cameras hidden in the ceilings at USIA, wiretaps and a microphone planted in Mr. Truong's apartment.

Mr. Humphrey met his Vietnamese wife, Kim, during a tour as a USIA adviser in Vietnam from 1969 to 1971 and has said he believes she saved his life by warning him of a Viet Cong death plot. When Saigon fell in April, 1975, Kim was left behind, and Mr. Humphrey, then in Washington, began frantic efforts to get her out.

During a visit to the Vietnamese-American Reconciliation Center, a Truong-created interest group in the District of Columbia, Mr. Humphrey made Mr. Truong's acquaintance. Soon he was visiting Mr. Truong's apartment and bringing copies of diplomatic cable traffic, much of it classified confidential or secret, with him.

"It wasn't long after he began dealing with Truong that [Kim] came out," said Mr. Cummings. "We made a big thing about that [at the trial]."

In the meantime, a Vietnamese woman named Dung Krall, CIA code name "Keyseat," had infiltrated the Truong-Humphrey connection. Acting as Mr. Truong's

courier, prosecutors said Mrs. Krall was given a letter for Mr. Truong in early 1977 by Vietnamese close to their country's negotiators in Paris.

With President Carter's personal approval, the letter was opened by U.S. counterintelligence officers. On the strength of its contents — Mr. Cummings said it contained instructions on further information-gathering — a wiretap was placed on Mr. Truong's telephone. And that, in turn, led to Mr. Humphrey.

The Justice Department said Mrs. Krall, the wife of an American naval officer, would not agree to testify at the trial until questions of her espionage pay were resolved. She has left the Washington area and was unavailable for comment.

"This is just like a rerun of the war in miniature," Mr. Truong added. "The CIA, which was running her, had an agent that was, in every sense of the word, greedy for money, and the agent basically destroyed herself in the process. In Vietnam, you know, family and some type of moral values are very important. I think she lost pretty much all that."

Main Donovan Accuser Said to Get Protection

By George Lardner Jr.

Washington Post Service

WASHINGTON — Federal marshals are being assigned to protect the chief accuser of Raymond J. Donovan, the secretary of labor, it has been learned. Mario Montuoro, who has charged Mr. Donovan with involvement in union corruption, reportedly has been told of a threat on his life.

Mr. Montuoro asked for the protection at a recent meeting with Special Prosecutor Leon Silverman in New York, sources said on Monday.

Mr. Montuoro is a former secretary-treasurer of what government prosecutors have described as a Mafia-dominated labor union local. He has been told that there was a New York mob "meeting" or "sitdown" concerning him last week, and that "they decided to kill him," sources said.

Meanwhile, other sources said that William French Smith, the attorney general, has said he has no control over the scope of the inquiry that Mr. Silverman has undertaken since his appointment last month by a special federal court to investigate Mr. Donovan. The Ethics in Government Act,

however, explicitly provides that the special court "may expand" the prosecutor's jurisdiction "upon request of the attorney general."

A federal grand jury in New York is expected to begin hearing evidence next week into one charge that Mr. Silverman was clearly commissioned to investigate: Mr. Donovan's alleged presence in mid-1977 when another executive of the Schiavone Construction Co. allegedly paid \$2,000 to the president of Mr. Montuoro's union, Laborers Local 29.

Mr. Donovan was executive vice president of Schiavone before his nomination as secretary of labor in December, 1980.

Mr. Smith said he could not broaden the investigation of Mr. Donovan in a Jan. 20 reply to a letter from Sen. Orrin G. Hatch, Republican of Utah, and Sen. Edward M. Kennedy, Democrat of Massachusetts.

In a letter dated Dec. 30, Sen. Hatch, chairman of the Senate Labor and Human Resources Committee, and Sen. Kennedy, the committee's ranking Democrat, asked that Mr. Silverman's charter be supplemented.



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A Bankrupt Policy

Gen. Wojciech Jaruzelski has made his first major statement since he imposed martial law in Poland in mid-December. The statement shows that his policy is bankrupt. He indicates that some of the lesser burdens on Poles will be eased in coming weeks, but none of the larger ones.

Putting down open popular resistance evidently is not much of a problem — though, as one of the few independent deputies to the parliament warned, that could change. But enlisting enough popular consent to get the country back to work, so that Poland's mind-boggling economic difficulties can be tackled, is another matter. Seven weeks after the coup, Poland remains ruled by the gun.

It is interesting, in the light of Western complaints about the West's relatively tepid and disorganized response to events in Poland, to hear Gen. Jaruzelski. He spoke extremely harshly of the sanctions that have been imposed. Perhaps he was merely raising them as a lightning rod to attract the people's discontent. It is also possible that, in an economy stretched as tight as Poland's, even relatively light sanctions hurt.

Gen. Jaruzelski says that sanctions "lengthen and sharpen martial law." This is

nonsense. Understandably, he is reluctant to confess that it is he who is lengthening and sharpening martial law. Sanctions are reaction to and protest against his regime. While the Polish people, by withholding their full labor and by other means, are "voting" against repression, it should be unthinkable for the West to "vote" for it by resuming normal economic ties.

The regime has announced major consumer price increases to take effect next Monday. What will be the reaction? Solidarity, before it was chained, proposed similar price increases, which unquestionably are needed from an economic standpoint. Solidarity proposed them, however, in a context in which factory councils would have been made legitimate in return.

Not only are these councils out of the picture now, the government is also demanding anti-Solidarity loyalty oaths from the workers. The Catholic Church has been in the forefront of opposition to these oaths. Gen. Jaruzelski's policy statement seems to have altogether ignored these developing facts. Far from easing the crisis, he is tightening it. The results will be on his hands.

THE WASHINGTON POST.

Still Prison of Peoples

It is by now a sad and predictable pattern. When the temperatures drop in East-West relations, the locks freeze on Jewish emigration from the Soviet Union. In 1979, 51,320 Jews were allowed to leave, a record exodus in the postwar years. Last year, after Afghanistan and the advent of President Reagan, the number plummeted to 9,447. In Soviet diplomacy, Jewish lives are a form of blood barter.

There is no other plausible explanation for the erratic fluctuation in visas granted to Soviet Jews. Russia's Arab clients may be happier when the gates close, since half the 259,000 émigrés since 1968 settled in Israel. But Arab sensibilities have not been a discernible factor. The pattern has varied only with Moscow's interest in catering to the United States.

So when relations are bad, what can be done for these human pawns? Most vulnerable are 500,000 Jews who have registered their discontent by asking to leave. By requesting exit, they have lost jobs, privileges and even educational opportunities for their children — yet they are still denied exit.

Some of those who express their frustration overtly have also been tried on phony charges and sent to prison or labor camps.

Even in the worst of times, the United States can speak out against this mistreatment of all who want out: Pentecostal Christians as well as Jews, secular as well as religious dissenters. At a minimum, Secretary of State Haig can add them to his roster of Soviet violations of human rights. And he ought to use every opportunity — such as his meeting with Foreign Minister Gromyko — to suggest that the treatment of human beings also counts the other way: Letting people out would do much to improve the Soviet reputation among free peoples.

It would also counter one of the oldest reproaches leveled at Russia. Even in czarist times, it was grimly nicknamed "The Prison-house of Peoples" because so many ethnic minorities were sealed inside. They are now persecuted more brutally than even Communists were then. Yet the new jailers call themselves enlightened.

THE NEW YORK TIMES.

Reagan and the Fed

On the subject of the Federal Reserve Board and interest rates, President Reagan is a study in ambivalence. He doesn't care to oppose the board's present policy explicitly, since it's by far the country's most effective restraint on inflation. But, as at last week's press conference, he takes every opportunity to let everybody know that he isn't responsible for the Federal Reserve's conduct.

The Federal Reserve is emerging as the focus of the administration's well-founded anxieties that, when the recession ends, presumably some time this spring, the recovery will quickly be strangled by very high interest rates. That would leave unemployment stuck at a spectacular level, with an election coming. The conventional remedy is to lean on the Federal Reserve to provide more reserves to the commercial banks, inducing them to lend more and, in the process, reducing interest. But that won't work this winter, just as it hasn't worked for the past two winters.

The financial markets are now dominated by institutions that have lost very large amounts of money, over the past decade, by repeatedly underestimating the heights to which inflation would go. If the lenders were to sense that the Federal Reserve was collaborating in another big election-year boom with the usual inflationary hangover, some-

thing like panic would grip the financial world — and interest would rise, not fall.

That's what happened in early 1980, throwing the economy into a short, painful recession. With minor variations, the same thing has happened twice since then — in December, 1980, and last spring. This record strongly suggests that the Federal Reserve has very little control over interest. It can do nothing to lower rates, but any significant departure from its present posture will raise them. The rates are currently being set primarily by the lenders' fears of inflation. There is no other explanation for their behavior in recent weeks. They have been rising while the country fell sharply into recession.

This dilemma of the rates probably is insoluble, as long as the White House promises nothing but large and continuing deficits that aggravate fears of high and continuing inflation. Sensible budget strategy at the White House can take some of the pressure off monetary policy and interest. Until it does, the present pattern of repeated slumps and rising unemployment is likely to persist. That's another reason for the extraordinary importance of the budget plans, for next year and the years beyond, that Mr. Reagan will publish early next month.

THE WASHINGTON POST.

Chile's 'Last Best Hope'

Eduardo Frei was widely regarded as the "last best hope" for Latin democracy during the years 1964-70, when he was president of Chile. It was a pardonable exaggeration. The Cuban revolution had imparted a double sense that the hemisphere was moving leftward and that the United States had a major interest in checking the flow.

Chile then enjoyed a reputation as the premier Latin democracy, and Eduardo Frei was seen, in Chile and in the United States, as the sort of able, principled democratic reformer who could erect a "firebreak" on the left and keep the radicals on the other side.

Founder of his country's Christian Democratic Party, Mr. Frei had pronounced himself "staggered by the differences in economic strata" in Chile. He took office in 1964 with the only absolute majority any Chilean presidential candidate has enjoyed. Whether

he knew of the secret funds that, it turned out later, the CIA put into his campaign was never established. Whether he needed such support was dubious. By the time he finished the single six-year term allowable constitutionally, he had whetted popular appetites for considerably more progress than he had been able to deliver.

Marxist Salvador Allende received a plurality of the popular vote in 1970. Within barely a year, Chile was exploding into class war. Mr. Frei ran for the Senate in 1973 to continue the fight by parliamentary means, but even he could not slow the disintegration. The generals made a coup whose dark result Mr. Frei bravely contested until he died in Santiago last Friday. He was a man of true honor, which is more than can be said for the people who have ruled Chile since.

THE WASHINGTON POST.

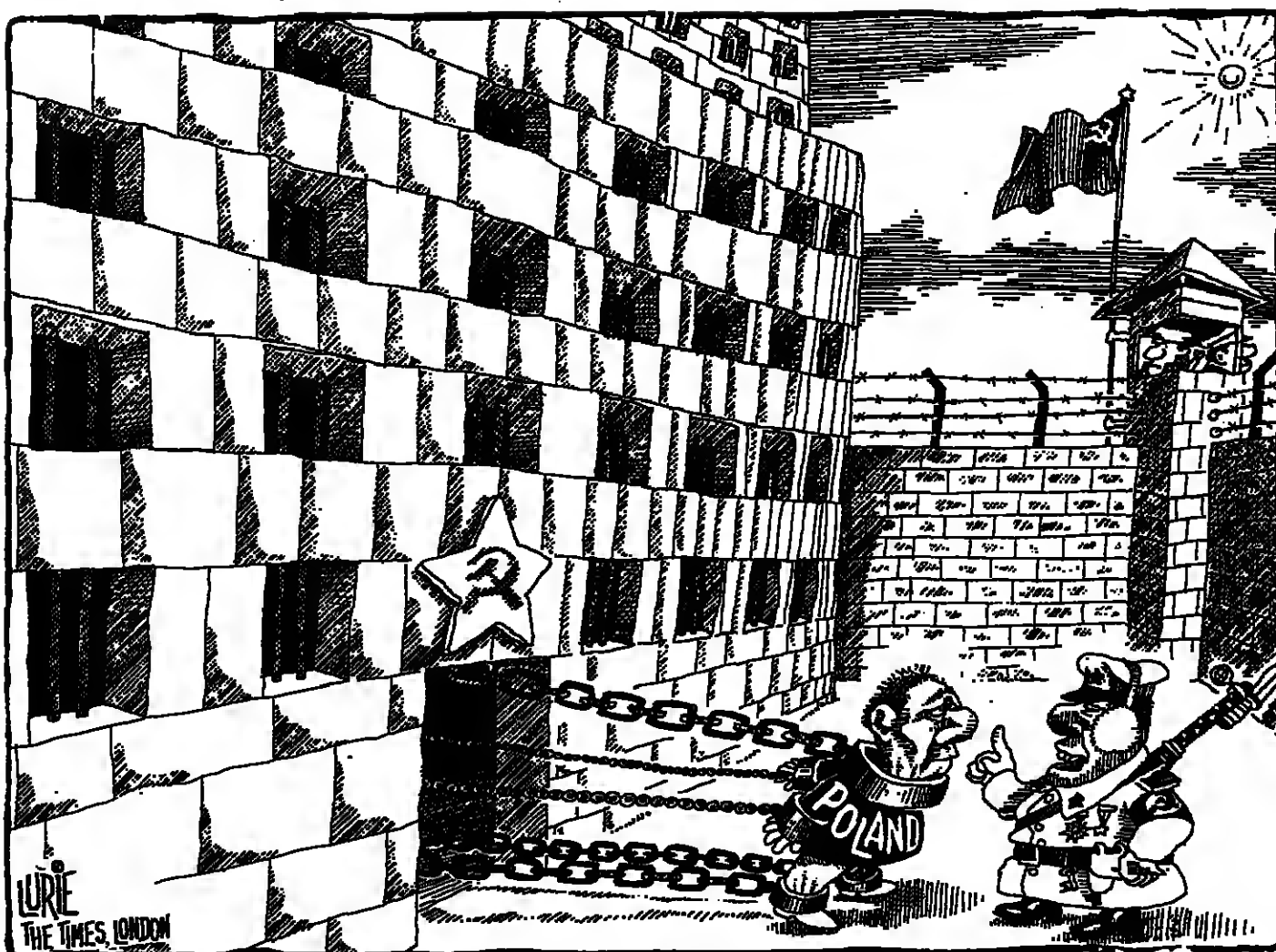
Jan. 27: From Our Pages of 75 and 50 Years Ago

1907: German Socialist Loss

BERLIN — The elections are over, and the Socialists have met with defeat such as their worst enemy has not dared to expect. At the last election in 1903 the Socialists won 55 seats. Today they have a meager 30. The question of patriotism has won a stirring victory. General rejoicings are heard at the downfall of the tyrannical autocracy and bulldozing rule of the red flag. A man who is the employer of 3,000 workmen said: "It was the highest time that the absurd notions of the Socialists were stopped. They had come lately to a point where the workmen were masters and the masters were slaves to them. They had long been suffering from a bad attack of swollen head."

1932: Submarine Missing

PORTSMOUTH, England — The British training submarine M-2 with six officers and 48 men aboard is feared to be helpless on the bottom of the English Channel three miles off Portland Bill, where the undersea craft dived during maneuvers and has not been seen or heard from since. The vessel carried only eight hours' supply of oxygen and it is extremely doubtful, if the craft has been under water now for 15 hours, if any of the crew are still alive. The vessel, although 14 years old, is equipped with the latest submarine safety devices but there is no indication that any of the crew escaped. It appears to be resting on a sandy bottom, giving hope that it has not been damaged.



"See? Didn't I promise to let you out once you behaved?"

Haig Is in Foreign Policy Saddle — For Now

By Joseph Kraft

WASHINGTON — Out of the swirling mists of bureaucratic battling over foreign policy, there has emerged a clear winner. Secretary of State Alexander Haig is in the saddle — at least for now.

Haig's primacy has been signaled most dramatically by personnel changes at the White House and the State Department. It has been affirmed by a muffled of critics who oppose Haig's policy emphasis on rapport with the European allies and constant communication with Russia.

The personnel shifts began with the replacement of Richard Allen by former Deputy Secretary of State William Clark as the president's national security adviser.

Clark could eventually become a major force in foreign policy. But he is a novice, and he has learned most of what he knows while serving under Haig at State.

As his deputy, moreover, Clark has picked Haig's candidate — the former counselor of the State Department, Robert McFarlane. McFarlane, a former Marine with close ties to Congress and the Pentagon, will have a big role in shaping policy now. While not a Haig stooge, he will not go out of his way, as Allen did, to thwart the secretary. So the National Security Council staff, which used to work against Haig, is now on his side.

Within the State Department, Haig has promoted two longtime associates and fellow Eurocentrists to the second and third positions. Walt Stoeckel, a former ambassador to Russia, Poland and West Germany, is deputy secretary. Lawrence Eagleburger, a former ambassador to Yugoslavia, is undersecretary for policy. Haig is now master in his own house.

Rightists on Capitol Hill were first miffed by the removal of Allen, then upset by Haig's refusal to sell advanced aircraft to Taiwan, and finally incensed by his relatively soft stance on Poland. But they have been quieted by the appointments of Clark and McFarlane, and Clark has added a little window dressing: He has given 30-day appointments, as advisers on intelligence and policy planning, respectively, to William Buckley and Clare Boothe Luce.

Inside the administration, Haig's chief challenge has come from Defense Secretary Caspar Weinberger. But Weinberger is breathing hard now for a couple of reasons. Clark has gone on a crusade against leaks bearing on national security, and the heat is on at the place that has always been Fat City for national security leaks — the Pentagon.

Furthermore, Clark has taken on as a temporary adviser Thomas Reed, a former Air Force secretary. Reed is an engineer with expertise in defense hardware. His presence at the National Security Council means that Weinberger, for the first time, will come up against serious White House questioning on weapons choices.

Finally, there is the case of philosophic critics of the Haig policies both inside and outside government. The case was put at length by Henry Kissinger in two articles last week. He asserted that the crackdown in Poland "presents a fundamental challenge to the West." He wrote that, so far, the allies had exhibited "dithering procrastination, sophisticated justifications for impotence, or rhetoric incapable of rising to serious action."

But Haig and those around him contend that in Poland the U.S. and the allies can have only marginal influence on what happens. So they do not see a "fundamental challenge" — certainly not one that would justify splitting the alliance and breaking communications with Moscow.

Reagan, who until very recently was talking about a summit meeting with Leonid Brezhnev, agrees. The Kissinger criticisms are thus dismissed as the tactic of an outsider trying to get inside.

While Haig has a clear track for the first time, it is not an easy track. This week he is meeting with Soviet Foreign Minister Andrei Gromyko in Geneva. He has to take a position that is sturdy enough to impress the Russians and to satisfy domestic critics, but still keep open the possibility for progress later in the year on the arms control accord so dear to the allies and to President Reagan.

If Haig succeeds, he can stay in the saddle for some time to come. If he fails, he will be asked to resign by the end of the year.

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But Is He on the Right Horse?

By George F. Will

WASHINGTON — It once was thought that democracies could not maintain continuity in foreign policy. The American democracy has the opposite problem. Foreign policy does not trickle down from the highest levels; it rises through the bureaucracy, which defines options, narrows choices and makes continuity hard to escape. This tends to be true even when the secretary of state wants to escape, which the current one does not.

Under Secretary Haig, true believers in the détente doctrine of the 1970s have survived and prospered. The State Department, rarely known for the diversity of its viewpoints, now has a homogeneity remarkable even for it. Almost no one near the top effectively represents the sort of thinking that people who voted for Reagan on foreign policy grounds thought they were voting for.

As a result, a potentially invaluable moment has been irretrievably lost. Poland, which should have been a disaster for Russia, is becoming a disaster for the United States. Instead of using it to wrench foreign policy out of the downward-running rut of the last decade, it has become an occasion for reaffirming stale themes, people and policies.

Haig has kept the United States in step with its NATO allies, who took a month to speak collectively about Poland. 'Twas a famous victory when they did, and Haig hailed it with history's most defensive expression of pleasure: "I would hope we wouldn't sit around again with the scorecard and try to find out how little we in the West are doing."

Actually, the United States should blush when suggesting that allies do anything substantially inconvenient to themselves. The U.S. government has refused to block the International Harvester sale, to embargo grain, to declare Poland in default on its debts, to veto Poland's application for membership in the International Monetary Fund.

The example of Czechoslovakia in 1968, and what we know of the world's attention span generally, suggest that, a month from now, Poland will be a secondary story. So it is at best naive, and at best deliberately deceptive, for State Department officials to talk about a "second tier" of "hardball measures"

that some unspecified developments might trigger against Russia. The moment has passed.

The first and final month of the Polish "crisis" ended with Peking being allowed to veto the U.S. sale of F-16 fighters to Taiwan. Advocates of weakness in Europe and a consequence of that weakness — China's disdain — to justify weakness in Asia. A less feeble response to China's adversary, Russia, would have made China less inclined to treat the United States as pliable and dispensable.

In Carter's State Department, rhetoric and policy were both bad, but at least they meshed. Haig's rhetoric does not fit the policies that give an appearance of action without real action. The mismatch is confusing the United States, deepening the allies' cynicism and making anti-Reaganite holdovers in the government especially effective.

Reagan, by pursuing the domestic policies he foreshadowed during his campaign, has generated inevitable opposition. But the concentration on domestic policy has enabled him to achieve so much has prevented him from coming to grips with governmental inertia in the field of foreign policy.

As a result, events of recent weeks have revealed tendencies within the policy apparatus that are at odds with his campaign themes. This could produce something he has experienced only once before (in the 1976 contest with Ford): fissures in his conservative base.

Containing, say, the Federal Trade Commission is, of course, God's work. But conservatism that pays more attention to such things than to containing Russia is conservatism suffering arrested development. It can offer no effective political or intellectual opposition to the foreign policy tendencies of the permanent government.

Besides, soon even Democrats (they are not especially quick these days, but neither are they dead) will notice how inadequately the administration is fulfilling the fundamental demand of the 1980 electorate — a strong foreign policy. That is why Reagan should use his second year as president to develop intelligent discontinuities with the discredited and repudiated policies of a wretched decade.

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A Far-Right Dirge for Reagan Conservatism

By David S. Broder

WASHINGTON — The overture to President Reagan's State of the Union address was provided by some of his earliest and most ardent conservative supporters. In a series of news conferences and television appearances, these gentlemen, who share not just an ideology but a tendency to premature plumpness, quivered at the thought of the young man who would be their leader. Ronald Reagan was straying from the cause of righteousness.

In a musical metaphor, they were bassoons. The temptation was to snicker a bit, as one laughs at the bassoon blarney of Grandpa, warning young Peter that if he plays in the woods, he may be eaten by the wolf.

But a more apt musical comparison was suggested by Jude Wanniski, one of the guardians of supply-side orthodoxy. When asked about the mood of the conservative activists, who gathered in Washington last week to mark the anniversary of Reagan's inauguration, Wanniski said, "It was a feeling of heartache."

The criticisms about Reagan from the true-faith conservatives fall into that rich literature of lovers' laments. They really cannot understand why the man who led them by hand from the exile of the post-Goldwater years to the promised land of the presidency should be asking them to abandon so many of the dreams they all shared.

Reagan's heroes may not seem major to most voters who, the polls tell us, worry most about keeping or getting a job and managing the mortgage on a house. But if you have attended 16 consecutive annual banquets of the Young Americans for Freedom, where Reagan has burnished the dream that free China will some day overthrow the Communist regime in Peking, it is hard to swallow your leader denying advanced jets to the "liberators" on Taiwan.

When you know that Reagan knows, in his heart of hearts, that Henry Kissinger was a Rockefeller snake who tempted Richard Nixon into doing business with the Russians, then it is hard to abide Reagan embracing that Nixon-Kissinger protégé, Alexander Haig, and allowing him to negotiate with Gromyko.

The true-faith conservatives cannot accept the possibility of personal betrayal on Reagan's part. They cannot even abide the notion that the presidency may have changed his thinking.

Beyond all that, they have too many of their own hopes invested in him and to the affair. It would, quite seriously, break their hearts. So they do what comes quite naturally to them: They invent a devil theory to explain why Reagan is being seduced from the path of righteousness. It is, they say, the mischief of the presidential advisers who were chosen — in

the words of conservative fund-raiser Richard Viguerie — "on the basis of their experience and credentials," rather than their adherence to conservative ideology.

It may seem a curious sort of conservatism that rejects the importance of experience and credentials. But one of the favorite conservative writers, M. Stanton Evans, declared in last week's Human Events that with "the dumping of (national security assistant) Richard Allen and the departure of (political aide) Lyn Nofziger... the administration of Ronald Reagan is close to being captured by 'moderate' Republicans who opposed his presidential aspirations. The White House staff itself is heavily tilted toward the followers of

George Bush and others of even more liberal persuasion, while the management of foreign policy is firmly in the grasp of those who came to power as acolytes of Henry Kissinger."

"Here and there, some pockets of Reaganite resistance remain," Evans concedes. But neither he nor anyone else attempts to explain how this "takeover" has been possible, unless Reagan himself is either a dupe or so detached from his own office that he is oblivious to what is happening.

That far, they will not go. But there is more than disillusionment being expressed here. The faithful are preparing their alibi for the possibility of Reagan's failure.

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Population And Policy In Egypt

By Philip Geyelin

CAIRO — Buroos Ghali is the Egyptian minister of state for external affairs and a veteran of the hard diplomatic slog leading to the Camp David accords. Now high up in the foreign policy-making hierarchy of President Hosni Mubarak's new government, he is a fellow to talk to about the Palestinian issue, U.S.-Egyptian relations, Egyptian geopolitics.

But Ghali, you discover, wants to talk about Egyptian demography. And so, in respect, will Mubarak in his own way when he sits down with Ronald Reagan in Washington on his first visit as Egypt's president.

What the dictionary defines as "the statistical science dealing with distribution and density of populations" is unlikely to be on the agenda in quite those terms. But it will be on Mubarak's mind for the same reason it is on Ghali's: as "Egypt's greatest single problem." The crushing, smothering impact of a huge and growing population bears down on every aspect of Egyptian daily life — including, by Ghali's logic, Egyptian foreign policy.

For 3,000 years — Egypt's best, you might say — the population ranged from 3 million to about 7 million, a number the Nile valley could comfortably sustain. (About 96 percent of the total area of Egypt was then, and remains, uninhabitable desert.) At the turn of the century the population had grown to 12 million; that's about where it was when Ghali was in high school, he recalls.

Now it is a staggering 42 million, and growing at the rate of 1 million a year. Over one-quarter of the population is crammed into Cairo, whose continuing sprawl is at the cost of critically needed arable land. An expensive effort is under way to irrigate and make fertile now-useless desert.

But for every acre of arable land thus gained, two are being lost along the banks of the Nile. Why? Because that priceless topsoil is the stuff of which bricks are made to build houses for the expanding population. It's a losing game, which is why Egypt has to spend several billion dollars a year for imports to meet more than half its food needs.

About 40 percent of Egyptians live below the poverty level, according to one authority. Families forced off the shrinking farmland flock to the cities, where there are not nearly enough jobs even for college graduates. Cairo is an eye-popping study in sharp contrasts: donkey carts and Mercedes, large pockets of destitution and filth a few hundred yards away from the water-skiers and eight-oared shells skimming the Nile.

The strain on such services as water, sewage, transportation and telephones is unimaginable. A recent government report estimated that employed Egyptians spend 16 percent of their time commuting and only 4 percent at work — the exact reverse of the figures for the average working American.

There are no real rush hours in this city — just an all-day traffic jam. One reason: Telephone communications are so overburdened that people find that the quickest way to do business is by personal visits.

It comes down to a huge, growing surplus of Egyptians in Egypt: more than can be housed or fed, more than Egypt can live with indefinitely, even in cruel conditions.

And more, almost certainly, than even Mubarak's inward-turning preoccupation with domestic programs will be able to handle.

Which brings us back to the connection between demography and foreign policy: At least a partial solution — a way of easing the pressure — says Ghali, would be for Egypt to "export" Egyptians to Arab nations. It is not as far-fetched or desperate a remedy as it sounds. Already about 3 million Egyptians work abroad: 1 million in Iraq; 500,000 in the Gulf; as many in hostile Libya; tens of thousands more scattered around in Sudan and elsewhere.

What has come naturally, Ghali would institutionalize, on a far greater scale. In the best of all Arab worlds, he envisions countries rich in land (or investment capital) absorbing the population surpluses of the land-poor. You can put it down now as no more than a dream. But the demographic driving force is real enough to make it one more reason that Egyptian rapprochement with the Arab world is high on the list of Mubarak's foreign-policy imperatives.

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Stage: Faye Dunaway Wins Alfred's 'Heart'

By Carol Lawson
New York Times Service

NEW YORK — That first moment was magical and transforming. It happened one hot September afternoon in 1965, William Alfred, a popular professor of English literature at Harvard, was in despair because he could not find an actress to play the role of Kathleen, the wife of an up-and-coming ward boss in Brooklyn, in his play "Hogan's Goat." He was nearing the end of yet another long day of auditions in a studio behind Carnegie Hall.

"Then, we heard this wonderful electric step on the stairs," he recalls, "and this incredibly beautiful woman came in. She had chestnut hair down to her shoulder blades and was dressed in a white leather suit. It was like a miracle. You knew right away there was something special about her. Even before she read anything, we knew we had found her. We had found our Kathleen."

The woman, who was then 25 years old, was Faye Dunaway. Her opening Off Broadway on Nov. 11, 1965, in "Hogan's Goat," which was Alfred's first play and received excellent reviews, has become part of theater history. Overnight, it established Dunaway as a bright new star and launched her career in the movies. In addition, it established Alfred as an important new playwright, a dramatist praised as "one of the most eloquent voices" of the American theater.

Second Venture

"Hogan's Goat" also marked the beginning of a close friendship between Dunaway and Alfred that has deepened over the years and led to their second theatrical venture together, "The Curse of an Aching Heart." The play, which is bringing Dunaway back to the New York stage for the first time since "Hogan's Goat," opened Monday night on Broadway at the Little Theater.

Alfred, who is now 59 years old and still a full-time professor at Harvard, describes "The Curse of an Aching Heart" as "a comic novel in five chapters." It is made up of five separate works, which are played without intermission, depicting five pivotal moments in a woman's life, beginning in 1942. During the course of the evening, Dunaway, who is now 42 years old, goes from a 14-year-old teenager on roller skates to a 35-year-old mother who makes peace with her troubled past. Like "Hogan's Goat," the setting is the Irish community of Alfred's native Brooklyn. Alfred has been working on "The Curse of an Aching Heart" since 1963, and says he never wanted anyone but Faye Dunaway to star in it.

"As it happens, both playwright and star fall — but not ignobly," Frank Rich, *The New York Times*

reviewer, said. "If 'The Curse of an Aching Heart' has the same leaden gait as this season's other female star vehicles, it does at least yearn to soar. 'Yet, it's also true that Dunaway's absence from the theater has not dimmed her stage technique. She's usually in command. I wish I could say the same for Alfred, a sensitive writer whose heart surely aches for his cherished Brooklynites far more than this bloodless play lets on.'"

Like an absent-minded professor, Alfred managed to lose his manuscript for a couple of years, and found it in 1970 behind a drawer in a desk in his attic. That was also the year in which he returned to Broadway as the co-librettist of the short-lived "Cry for Us All," the musical version of "Hogan's Goat."

His career as a playwright never reached its promise, he says, because of his commitment to teaching. Writing is a very slow, time-consuming process for him. He maintains a heavy teaching schedule despite two heart attacks a few years ago and during rehearsals of "The Curse of an Aching Heart" was marking papers in the back of the theater.

Alfred showed Dunaway the script at every stage of its development. The playwright, who has never married, says he considers her "like a daughter to me." He keeps an apartment in New York and is a frequent visitor at Dunaway's home on Central Park West, where she lives with the photographer Terry O'Neill, and their 18-month-old son. Alfred and Dunaway like to get together for dinner, antique shopping and visits to museums. He contends that she is doing this play largely as a favor to him.

But Dunaway herself, who regards Alfred as "a member of my family," says otherwise. "I'm doing this play for myself," she remarked. "I love the play — the writing of it, the language. Bill is a poet and playwright in one, really. But I'm really doing this for me — to get myself in better emotional and technical shape as an actress. I've been wanting to get back to the theater and have a chance to work on skills and techniques that you don't get a chance to work on in film."

Another attraction of "The Curse of an Aching Heart" was that it is vastly different from Dunaway's latest film, "Mommie Dearest," in which she gives a startlingly lifelike impersonation of Joan Crawford. Thanks to the film, the public now has an image of Dunaway as an egomaniacal actress who is also a monstrous child abuser, one who in a fit of rage beats her young daughter for using wrong language.

"I felt I needed to break away into a simpler woman, into more of what I really am and less of what my film image is," she said.



Faye Dunaway as Joan Crawford in "Mommie Dearest."

A Guilt-Edged Portrait In 'Mommie Dearest'

By Vincent Canby
New York Times Service

NEW YORK — "Mommie Dearest" (which is opening today in Paris) is an extremely strange movie. In all rational ways, it's a mess. Its continuity is vague. Its narrative is shapeless. It depends more than is absolutely necessary on the feelings we bring into the theater before we've even seen the movie, and when the chips are down, it reveals in show-biz clichés about the plight of the falling star.

Yet, it is a peculiarly engaging film, one that can go from the ridiculous to the sublime and back again within a single scene. Sometimes within a single speech. Now and then it's intentionally funny. Sometimes it's unintentionally hilarious, but frequently it achieves that state of wild, out-of-control melodrama that is both comic and horrifying.

It's also slightly unfair. One's attention is constantly diverted by the question of whether or not this is the way it really was, even as one reminds oneself that all movies, even those based on the lives of real people, recently deceased, are fiction, and that literal truth doesn't matter if the film itself works as cohesive fiction.

"Mommie Dearest" doesn't work very well, but the ferocious intensity of Faye Dunaway's impersonation does, as does the film's point of view, which succeeds in making Joan Crawford into a woman far more complicated, more self-aware and more profoundly disturbed than the mother remembered in Christina Crawford's book *Saint Joan of the Fan Mag* is anything more than taxidermy. This lady is alive.

The principal problem with "Mommie Dearest," is not that it's vicious, which it is, or distorted, which it may be, but that it doesn't make more effective use of the imagination, which is the basis of all fiction, including biographical films of this kind. Some of this can be explained by the fact that the film is, after all, Christina's reminiscence. It's not intended to be a full-scale biography, but rather, the mummified daughter remembers. The odd thing is that through what appears to be the cumulative effect of unfortunate writing, casting, directing and acting, the character of Christina eventually turns into a sanctimonious, vengeful, cold-blooded pathetic prig.

The key to "Mommie Dearest" — to its style and method — is the makeup that has been applied to Dunaway's face to achieve the Crawford "look," particularly that pair of thickly painted eyebrows that hover like the silhouettes of frigate birds over the large Crawford eyes. Although the eyebrows don't especially look like those of the Joan Crawford one carries in one's mind's eye, they do characterize the movie, which, as played by Dunaway, is a serious caricature, done in bold, simple, risky strokes. This is not a criticism but a description.

In the way of good caricatures, like those of David Levine, Dunaway often achieves a series of fascinating, contradictory effects in a single moment. She succeeds in stunning us with her rages, which, though they are inarticulate, are full of a kind of mysterious sorrow. They're also fiercely funny and terrifying in the way of things that are so shocking they take a while to comprehend them.

As in so many of the movies Joan Crawford made, especially toward the end of her career, the men in the film are virtually faceless. It hits its high spots so early that it never again can top itself, and when Dunaway is off-screen, which isn't often, the film ceases to be. Dunaway, though, brings unexpected life and feeling to this full-length caricature. "Mommie Dearest" possibly will turn to be the all-American mother movie of the '80s.

Ungaro's Collection Draws Heavy Applause

By Hebe Dorsey
International Herald Tribune

PARIS — Applause, applause. Emanuel Ungaro today brought lustre back to the world of haute couture with a collection that had all the right earmarks — inventive cut, exquisite workmanship, flawless delivery, fabulous fabrics and a deluge of silk and lace.

Heavily applauded, it was just the right kind of collection for a front row of well-heeled celebrities (the same as Monday, plus the young Baronne David de Rothschild, trading notes with Princess Caroline, in white this time.)

Shown against the heavily gilded background of the Musée Jacquemart-André, with a quartet playing chamber music, it was a soothing collection, even if some of the clothes sometimes ended up looking like museum pieces themselves, with some highly ornate brocade cummers harking back to the opulent Ballets Russes era.

Actually, Ungaro, a master tailor who has managed to take the jump into the more treacherous world of limp silk dresses, had several collections rolled into one. A graphic, black-and-white line of softly tailored suits, the jackets ribbing, hugging, slim spencers over very short skirts or knee-length bloomers. Then he fell into a trap and into the circus world — with some gaudy, grotesque outfits in blinding color combinations.

Grand Evening Clothes

Then he recouped with half-Ballets Russes, half-medieval outfits — gold-streaked shawls, gold hair nets, long pointed sleeves ending with pearls, pointed waist cinchers and long, medieval tunics over miles of knife pleats. Those evening clothes, grand without being the ballgown kind of bygone days, were very much applauded, a sure sign that French socialites, despite grumbling about the current government, are still not about to put ashes on their heads.

The spencer, which has always been on Ungaro's list, was still one of his most successful themes. With available ease, he repeated it in at least 10 different versions, in different lengths and fabrics. Some were in solid colors with starkly contrasting piping. Others were flowered with differently flowered lapels. Some were double-breasted with scalloped flaps. Some hit the hipbone, others stopped at the waist.

He also loved bloomers. Some were glorified silk jodhpurs while others, more flirtatious, stopped at mid-thigh. However, his very short skirts came across better, especially with Caroline who said: "Those bloomers are not very sexy. And they're very cumbersome to wear in the summer."

Once again, Ungaro's major talent was in the mixing of fabrics and colors, with as many as six different fabrics in the same outfit. To give an example, one white spencer was piped with black and



Ungaro's silk pantaloons with spencer jacket; Philippe Venet's coats with painted stripes.

finished with checked, black-and-white lapels. Worn over high-waisted, black-and-white silk bloomers, it was topped by a lace shirt, a vest in a small rose print, with a cummerbund of tiny polka dots. In that same mood, Ungaro kept pulling combinations together with the expertise of a magician pulling tricks out of a hat. Although his black-and-whites were stunning, he did manage a more tender mood with pastel flower prints, always finished with pleated ruffles around the neck.

On the Arts Agenda

EUROPEAN TOUR — The National Symphony Orchestra of Washington, under its music director, Mstislav Rostropovich, will begin a European tour of 17 concerts on Feb. 4 in Zurich, followed by appearances in Stuttgart, Feb. 5; Munich, 7; West Berlin, 8; Amsterdam, 10; Stockholm, the Netherlands, 11; Hannover, 12; Vienna, 14 and 15; London, 17; Düsseldorf, 18; Paris, 19; Amsterdam, 20; Brussels, 22; Hamburg, 23; Barcelona, 24; and ending Feb. 25 in Madrid. The repertoire includes two pieces by American composers, Leo Sowerby's "Caucasian Tune" and Samuel Barber's "School for Scandal" overture, a work commissioned from William Walton, in London, and works by Schubert, Schumann, Tchaikovsky, Beethoven, Wagner, Shostakovich and Stravinsky. The orchestra, in its 51st season and its fifth under the musical direction of Rostropovich, will be making its first European tour in 15 years.

GENEVA — Rolf Liebermann, the former director of the Hamburg and Paris operas, will make his debut as a stage director with a new production of Wagner's "Parsifal," marking the centenary of the first performance of the work at Bayreuth in 1882. The Geneva production will have its first performance at the Grand Théâtre on Feb. 29. Sets will be by Patrick Lemaire, costumes by Bernard Dreyer, and choreography by Moses Pundell and Allison Chown. Horst Stein will conduct, with Siegfried Jerusalem and Jon Vickers sharing the title role, and Yusef Karami as Parsifal, Peter Munn as Gurnemanz, Franz Messner as Klingsor and Yvonne Minton as Kundry. Later performances are scheduled for Feb. 1, 4, 8, 11, 15 and 18.

time with a different kind of wrap — bugle but pleated and worn across the ock, it fluttered as the model walked like a gigantic butterfly. Those were worn with the opulent Ballets Russes outfits, which featured layers upon layers of finely pleated brocade. A way from the madding crowd, fashion outsider Philippe Venet, a talented, unpretentious man, has been quietly making the most beautiful coats in Paris for years. Now, he's finally hitting the jackpot with a collection of hand-painted, geometric coats and matching silk chemises. Those outfits are done in bright, summery colors, a treat in Paris, where summer collections often tend to look very dark.

Bright yellows, pinks and blues make a happy group that Venet will show to Palm Beach next week for the first time. Venet was also smiling because he has sold his name to a perfume company (with the first toilet water for men launched next April, his first perfume next year). He is also selling well at Carita's, a Los Angeles boutique, and his name is now well known enough to bring him a number of well-paying licenses, mainly in Japan.

Close Greenland Vote Seen on EEC Pullout

By Roger Cohen
Reuters

BRUSSELS — Citizens of Greenland are to vote next month in a referendum that could halve the land area of the European Economic Community.

The vast territory's 50,000 people will be voting on Feb. 23 on whether to remain in the EEC, and Danish diplomatic sources here say the vote is likely to show a majority opposing continued membership.

No other territory or country has ever withdrawn from the EEC since its establishment in 1957. Officials of the EEC Commission say a withdrawal by Greenland could set a dangerous precedent at a time when both the new Socialist government of Greece and the opposition Labor Party in Britain are also talking about their countries' leaving the Common Market.

Greenland entered the community with Denmark in 1973 in spite of the opposition of 71 percent of its citizens who voted in a Danish referendum the previous year. As an integral part of Denmark, the territory has no choice. Its voters were heavily outnumbered by mainland Danes.

But in 1978 Greenland won home rule, and it has been governed since then by the Siumut Party, which is opposed to Common Market membership.

"Siumut is determined to steer Greenland out of the community. It has organized the referendum, and the odds are it will get its way," a Danish diplomat here said.

Danish Opposition

Denmark, which has both financed and provided the skilled personnel for the territory's modernization program over the past 25 years, is opposed to Greenland's withdrawal.

It has urged the country's population of Eskimos and Danes to vote to remain in the community, saying withdrawal would bring economic hardship and isolation, but it has added that it will not stand in the way of a decision to leave.

16 Are Reported Dead After an Attack in Iran

The Associated Press

BEIRUT — Sixteen persons were killed in an attack by people "counter-revolutionaries" on the police station and governor's office in the Iranian city of Amol, Tehran radio reported Tuesday.

The official radio station, uncorroborated by several arrests made after the Monday night attack, Amol, 75 miles (120 kilometers) northeast of Tehran, is a stronghold of leftist guerrillas.



Thousands attended the public funeral for former President Eduardo Frei in Santiago.

Pinochet Assailed at Frei Rites in Santiago

The Associated Press

SANTIAGO — While a crowd repeatedly screamed "Assassin," President Augusto Pinochet and members of his military government attended the first of two funerals Monday for former President Eduardo Frei.

Sources within the Christian Democratic Party, which Mr. Frei founded, said that Cardinal Raúl Silva Henríquez devised the plan for two ceremonies to avoid possible friction between the government and its political opponents.

The first ceremony, at noon, consisted of a liturgical reading by the cardinal. The public was barred and kept back from the Metropolitan Cathedral by a police cordon. The only family member to attend that ceremony was Mr. Frei's eldest son Eduardo.

Gen. Pinochet, in white dress uniform, smiled and flashed the victory sign as he left the cathedral. He ignored the shouting, which was aimed at the military regime's human rights record.

He was hustled into a car and was sped away with a motorcycle escort.

Police jostled the crowd and arrested at least three persons. "This ceremony was imposed by protocol," said Enrique Kraus, a

Christian Democratic leader and family friend. "For the family and his friends it has no meaning for us other than that."

The funeral Mass was held at 4 p.m. in the cathedral, and the burial followed at Santiago's General Cemetery. Mr. Frei's family had invited the entire nation to attend.

Thousands of Chileans packed the Plaza de Armas in front of the cathedral and sang and applauded as the cardinal eulogized the former president, whose body had lain in state at the cathedral since Saturday.

The cardinal said that Mr. Frei was "a democrat and a Christian," and that "his voice will continue resounding within Chile."

Mr. Frei, who died Friday at 71, was president from 1964 to 1970.

U.S. Urges Congress to Double Quotas For Canadian and Mexican Immigrants

The Associated Press

WASHINGTON — The Reagan administration has urged the doubling of quotas for immigration from Mexico and Canada, permitting 40,000 persons to enter the United States from each country annually.

At a hearing Monday before the Senate Judiciary Subcommittee on Immigration and Refugee Policy, State and Justice department officials endorsed the establishment of the special quotas for Mexico and Canada as a recognition of "our special relationship and common borders with our closest neighbors."

The allocations, twice that for any other nation, would also permit visas not used by Canadians to be used by Mexicans. Canadian immigration is traditionally smaller, making possible the entry of as many as 35,000 or 60,000 Mexicans annually if the new system is approved by Congress.

Diego C. Asencio, assistant secretary of state for consular affairs, said the administration's proposals for a new immigration law would establish a maximum of 310,000 visas a year. But he said that the administration would continue its open-door policy for immediate relatives of U.S. citizens and for an indefinite number of refugees, the latter determined each year in consultation with Congress.

200 Reported Dead In Peru Jungle Flood

The Associated Press

LIMA — Heavy rains in a jungle region northeast of here flooded the town of Uchiza and 200 persons were reported dead, the civil defense agency has reported.

The agency said that the Chantayacu River overflowed its banks Sunday, also leaving about 600 families homeless by Monday in Uchiza, a village about 400 miles (644 kilometers) northeast of Lima.

Slow Takeoff Found in Data Of U.S. Crash

By Richard Witkin
New York Times Service

NEW YORK — First readings from the flight data recorder recovered from the Air Florida plane that crashed in Washington on Jan. 13 indicate that the plane took about 15 seconds longer than normal to take off, the National Transportation Safety Board has disclosed.

The twin-jet Boeing 737 reached a maximum altitude of 337 feet (103 meters) and a maximum speed of 147 knots, or 169 miles (270 kilometers) per hour, after which the speed began to drop until the plane hit the 14th Street bridge and crashed into the Potomac River, the agency said. Seventy-four of the 79 persons on the plane were killed along with four persons who were in vehicles on the bridge.

Asked whether ice on the plane could have affected the data, officials acknowledged that it could have produced false readings on the recorder and on the cockpit instruments monitored by the crew.

The plane, bound for Tampa and Fort Lauderdale, Fla., took off from National Airport in a severe snowstorm. It headed north from the airport at an unusually low climbing rate, according to several witnesses.

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Ice Blocks Danube, Elbe

The Associated Press

PRAGUE — Ice reaching a thickness of 60 centimeters (23 inches) has blocked navigation on the Danube and Elbe rivers, the Czechoslovak news agency CTK reported Tuesday.

UN Body Grants Funds For Third World Media

By Juan M. Vasquez
Los Angeles Times Service

ACAPULCO, Mexico — Participants at a 35-nation conference on development of news and information programs have decided to provide nearly \$1 million to support 17 programs designed to improve communications in Third World countries.

The 10-day conference, which ended Monday, was the second meeting of the Unesco-backed International Program for Development of Communications. That program has generated a long and acrimonious debate among nations over what some perceive as efforts to bolster state control of the news media.

Throughout the conference, the United States steadfastly refused to participate in direct funding for the program in favor of bilateral assistance to Third World nations. But the head of the U.S. delegation expressed satisfaction at the outcome.

"The viability of the enterprise is still in doubt, but it seems to be heading in the right direction," said William G. Harley, a State Department consultant to the United Nations Educational, Scientific and Cultural Organization. Mr. Harley was returning to the communications development program.

Apparent U.S. Relief

His comment reflected apparent relief within the U.S. delegation that the conference did not discuss a number of ideological themes. Among the topics that have been discussed in the past — but were avoided here — were a code of conduct for journalists, the licensing of reporters, and a definition of the so-called New World Information Order favored by some Unesco members.

One of the contentions of the smaller nations is that Western news agencies such as The Associated Press and United Press International, both U.S.-based, dominate and slant the flow of news to and from their countries.

Thus, the conference approved \$100,000 to support the Pan-African News Agency, a consortium of 48 African nations that will provide news from that continent to its member countries. Similarly, \$80,000 was provided for support of a project called the Asia-Pacific News Network that will do much the same as the Pan-African News Agency in Asia.

In all, 54 projects were considered. They would have cost \$80 million if all had been approved. But the agency had only \$3.1 million in contributions in hand.

Mr. Harley said U.S. delegates had extracted a pledge from directors of the Pan-African News

Agency not to interfere with the work of competing international news agencies nor to try to become the exclusive distributors of news in any African country.

That was one of the main fears expressed by the World Press Freedom Committee, a watchdog agency in the realm of news and information whose executive director, Dana Bullen, attended the conference as an official observer.

And the American Society of Newspaper Editors issued a statement opposing "without equivocation any attempt to approve or impose state monopoly or state censorship of news through the much-discussed New World Information Order or anything resembling it."

At the close of the conference, Mr. Harley congratulated the participants for exercising "commendable restraint and... the avoidance of political intrusions."

Italy Sentences Libyan For Trying to Kill Exile

The Associated Press

ROME — A Libyan has been sentenced to 15 years imprisonment for attempted murder in one of a series of shootings by so-called "death squads" who stalked Libyan exiles in Europe two years ago.

Merwin Belgassem Mansur, 27, was convicted Monday of firing three pistol shots at Salem Mohammed Fezzani, a Rome restaurant owner, in May, 1980. The shots went wild as Mr. Fezzani threw himself to the floor of his restaurant. Police said Mr. Mansur told them he had been "sent by the Libyan people to kill opponents of the regime."

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(Continued on Page 10)



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The proceeds, after deduction of expenses, will be held in cash at the disposal of the holders.

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AMSTERDAM DEPOSITORY COMPANY N.V.

Amsterdam, January 19th, 1962.

Of \$100 million in capital for the Brazilian-controlled company, \$40 million was being put

The exact size of the fee was not determined, although the CFTC staff has been studying proposals aimed at raising \$15 million annually. The agency's entire budget in fiscal 1982 is \$1 million.

فَكَرِهْنَا أَنْ نَكُونَ

Banking and Finance in BELGIUM

A SPECIAL SUPPLEMENT

Confidence Counts

WILLY DE CLERCQ has been in and out of the Belgian government since 1960 and has had wide experience in running Belgium's financial affairs. His Flemish Liberal Party gained in the fall general elections, and he is now back in charge of Belgian finances. He was interviewed by Alan Tiller:

Question: Belgium has lost some of its reputation for financial stability among international bankers. Will the government's program with its special powers help restore confidence?

Answer: There's no doubt about that. The urgent need for a profound change in the social-economic policy pursued until now is precisely the justification of these special powers. They are aimed at economic and financial recovery, the reform of public expenditure and the creation of jobs. These are not the only objectives.

The practical implementation of this change of policy can only be undertaken after the approval of special powers by Parliament (lower and upper houses), but the content and spirit of the law in question and the government's statement show clearly that the government's economic and financial policy is on the right path. Had Belgium followed this kind of policy over the past 10 years, it would never have found itself in the situation to which you refer.

The new policy directly attacks the precarious situation in which we find ourselves. The characteristics of this are excessive burdens on firms — wages, fiscal and social commitments, interest rates and energy costs.

These costs have led to a fall in firms' profitability, over-indebtedness, a decline in the willingness to

invest, a loss of their competitive position and, as a result, unemployment and a balance-of-payments deficit.

Cause and Effect

The sharp rises in public expenditure, taxes and parataxes — and the rise in the budget deficit — are all linked to this general deterioration and play a complex role of cause and effect. Now we face the difficult road leading to the root of the trouble and recognition of the basic truth that the firm is the basis of the growth of the economy, just as the family is the living cell of society.

This is why the government has emphasized the reduction of firms' tax liabilities, restraint for wages and social costs, special attention for productive investments and those for energy saving. Industrial restructuring also means risk capital, reduction of public and foreign debt, a lowering also of tension on the capital markets and lower interest rates.

This is not just a deflationary policy, for the thrust is for higher productivity, a movement from consumer to investment expenditure, a movement from the non-profit and collective sectors toward a productive sector, which is the real basis for prosperity and future employment.

The international situation is an important factor, but without



Deputy Premier and Finance Minister Willy de Clercq

structural change in the basic economic balances — external balance, public expenditure, firms' accounts — even a dynamic international climate would not save our

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

JANUARY, 1982

ly re-establish our reputation abroad.

Honoring our foreign commitments and protecting our currency are well within our means, particularly as Belgium, despite everything, has managed to limit the general rise in prices.

Q: There is widespread criticism over the level of public spending. How can the budget deficit be reduced?

A: A reduction of the budget deficit is a sine qua non of economic recovery. With this in mind, the government will introduce a 1982 budget with a maximum deficit of 200 billion Belgian francs for current affairs, just as the EEC Commission recommended. The long-term government aim is to halve the overall public sector deficit, which will remove the need for foreign borrowing.

Tax levels of all kinds in Belgium are such that one can no longer reduce the deficit by increasing this overall burden.

Review of Taxes

On the contrary, firms' payments will be reduced while individual taxes will be reviewed with the intention of promoting the will to work and creating a more favorable system for families.

Reducing all public expenditure in 1982 by BF130 billion (with the exception of interest on the public

(Continued on Page 9S)

New Government Pins Hopes On Special Economic Powers

By Alan Tiller

TALK OF RUIN and national catastrophe has given way to cautious optimism as Belgium's new center-right government adopts special powers in an effort to restore a near-bankrupt economy. The special powers bill has passed the lower house and awaits Senate approval. The bill will enable the new Christian Democrat and Liberal government to impose austerity measures for a year without parliamentary approval.

Premier Wilfried Martens, his fifth time in the top job within the last three years, is to make a determined attack on the massive public and foreign debt. At the same time, he will reduce the tax burden on industry in the hope that Belgium's competitive position will become sharper. A third major policy move will be to persuade workers to suspend the wage indexation structure and accept a rise in the nation's wage bill of only 3 percent.

The view is that Martens' new government could just pull it off. Polls give him a personal rating of 57 percent, while 44 percent against 37 percent approve of the need for special economic powers that are wider than anything seen in recent years in Western Europe.

On New Year's Eve, the ballroom of the Hilton Hotel in Brussels was packed with Belgian revelers spending frugal galore and it was difficult to believe that Belgium was in the midst of a grave economic crisis. There is now general awareness, however, that the country is at a crucial stage, and one sure sign was that a "backlash" from the Belgian Socialist Party, now out of power following



Premier Wilfried Martens

the recent elections, and its union allies was not immediately felt.

Deputy Premier and Finance Minister Willy de Clercq pulled no punches in his assessment of the situation before Parliament. He cited foreign debt of 388 billion Belgian francs, weakness of the franc, a sharp drop in investments, a rise in unemployment to 12 per-

cent, an "explosion" of the public debt — the net deficit of the state is 13 percent of the gross national product — excessive wage increases and blatant lack of budgetary control. In answer to this, the government was prepared to stimulate exports and investments on the one hand, and reduce the wage bill

(Continued on Page 8S)

Stock Market's Rally Seen as Only a Start

By Roland Leuschel

WHEN it became apparent in early December that a new strong government was taking over, the international Brussels stock market turned Belgian again.

Prior to Dec. 11, Belgian investors bought foreign stocks and sold Belgian stocks to foreigners. Since then, however, foreign investors have been buying even more Belgian stocks than Belgian investors planned on selling.

The result was that the market posted a strong rally with large volumes traded. Trading in December reached a record BF6.09

Foreign investors have reacted favorably to the intended measures of the new government and have also taken advantage of the high discount of the financial franc...

billions, 66 percent of which was in Belgian stocks and 34 percent in foreign stocks. Yet, for the whole year, volumes of foreign stocks (57 percent) continued to exceed those of Belgian stocks (43 percent).

The question is whether foreign investors are smarter than Belgian investors, and who will eventually make the greater profit. Only the future can tell.

Foreign investors reacted favorably

Roland Leuschel is an investment adviser with the Banque Bruxelles Lambert.

ably to the intended measures of the new government and seized the opportunities provided by the high discount of the financial franc.

The tax incentives intended to stimulate stock market investment will leave Belgian taxpayers with the following options:

• An income tax deduction of at least BF50,000 (plus BF10,000 per dependent), provided that the amount is invested in Belgian stocks or in mutual funds incorporated in Belgium and invested in Belgian stocks.

• Or a 10-year exemption of income tax, inheritance and donation duties on the amount invested in new shares issued by Belgian companies.

Furthermore, the 6-percent value-added tax on gold transactions is to be abolished.

When these measures are enacted, stock prices in Brussels are likely to surge strongly ahead, as did French stock prices after 1978 when the Loi Monory was passed (the index of French stocks rose more than 100 percent), and as did Swedish stock prices in 1981 when a similar law was introduced (the market advanced 50 percent).

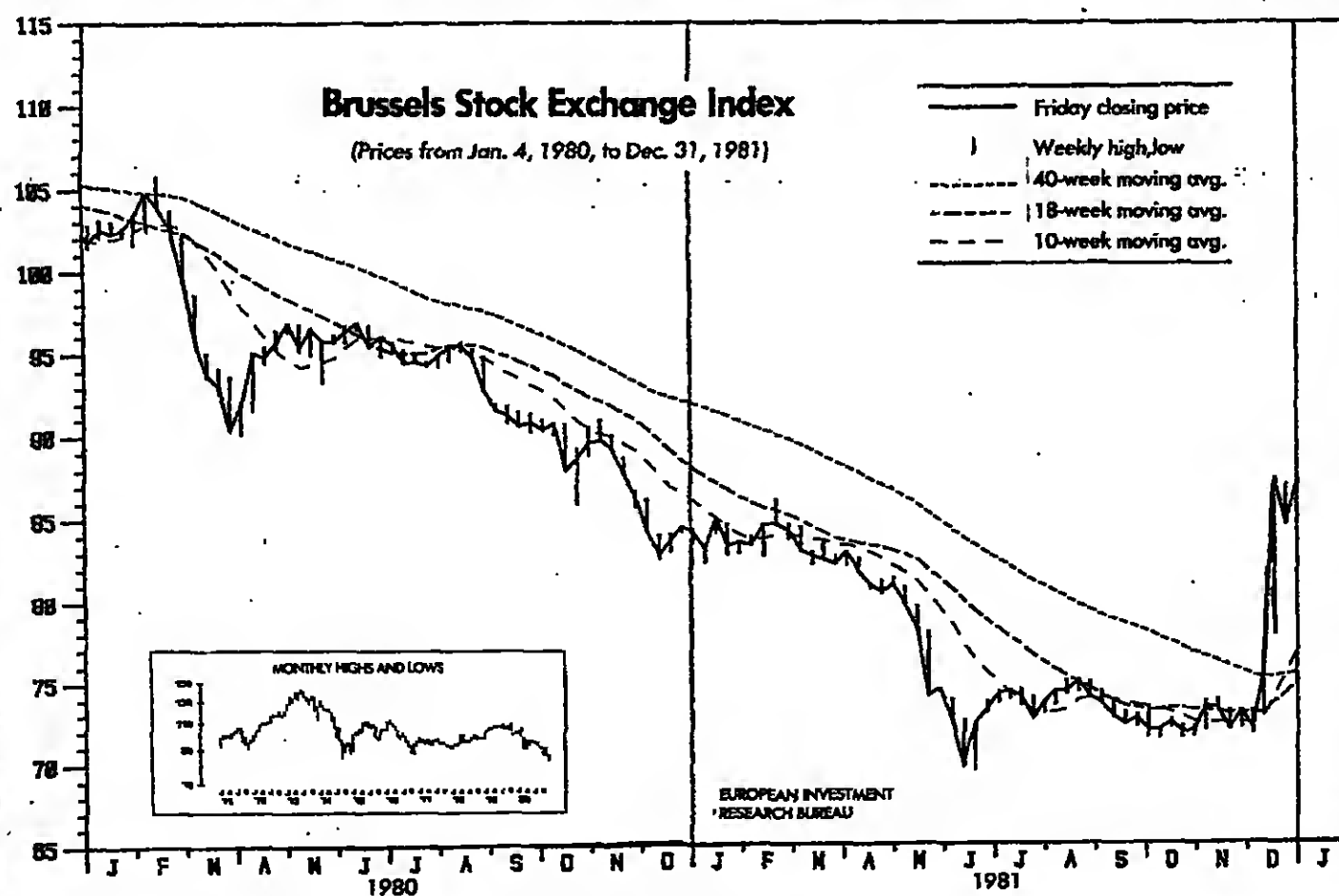
Cash Market Index

In recent weeks, the cash market index of Belgian stocks jumped ahead 20 percent and rose from its 1981 low of 69.53 to 88. Purchases came mainly from abroad and many Belgian investors availed themselves of the climb to accumulate unexpected capital gains. This new income might be used for financing the expected wave of capital increases.

The market will continue to rise. This assumption rests on the following factors:

• Belgian stocks are still largely undervalued. Based on the Banque Bruxelles Lambert (BBL) index, stocks are currently selling at less than 10 times estimated 1982 earnings.

• The cash market index is still



58 percent away from its high of 142.33 registered in June, 1973.

• This year, a number of mutual funds might be set up by the big commercial banks and perhaps also by the semipublic financial institutions. Taxpayers in Belgium, even more than elsewhere, try to pay as little tax as possible. Investors, for example, with a tax rate of 50 percent (the maximum rate is 72 percent) would not pay BF4,400 for one Petrofina share, but in effect BF2,200 because of the new tax advantages.

As they could deduct an amount from the dividend tax paid by the company in question equivalent to the interest due on their mortgage loans, some investments for Belgian residents would yield up to 50

percent. According to preliminary estimates, these measures are expected to attract about BF10 billion of fresh capital to the stock market each year.

Capital Increases

Many companies will increase their capital. Under Belgian law, however, the issue price must exceed the par value of the stock. Banks regularly seek to raise their capital in order to bring their equity into line with total assets and the growth of their lending, whereas the public utilities will also be getting in line for new funds.

Unlike what happened in the past, such capital increases should stimulate rather than depress the

market. Generous dividends, it is hoped, will attract investors. It is anticipated that another BF10 billion of fresh money will come into the market.

Foreign investors at present have an advantage. They can still buy Belgian stocks at financial market rates, which are 12 percent lower than official market rates (the official market is regulated by the National Bank and used for commercial transactions). This discount may abruptly disappear, however, as soon as the feeling grows in the international financial community that Belgium will not devalue its currency.

Another important point is that the rally in the stock market is due to foreign investors, and with the

creation of the new mutual funds, the Belgian investors will step in after the foreign investors. Normally, the contrary happens.

The electric utilities INTERCOM and EBES, in particular, afford generous yields (more than 12 percent net for nonresidents). Other high-yield stocks include GB-INNO-BM, Tractebel and Solvay. Quality growth stocks such as Petrofina, Delbeize and Wagon-Lits will continue to be favored.

When the first unpopular economic measures are taken, the market may be in for a setback. That is the right time to commit the second half of any funds earmarked for investment in Belgium. The first half is ripe for investment now.

Foreign Exchange: The Two-Tier Market

By Michael Sutton

ALONE in Western Europe, Belgium and its smaller sister country, Luxembourg, have a two-tier foreign exchange market in the framework of the Belgium-Luxembourg Economic Union (BLEU).

A "free" exchange market for capital transactions was set up in 1954 alongside the "regulated" one for current-account payments. Initially, this free exchange market was open only for transactions within the European Payments Union, but as early as 1955 it was enlarged to cover the dollar area as well. Despite its reticence about the very idea of a dual exchange rate system (of which one rate was floating), the International Monetary Fund approved the BLEU's two-tier market arrangements almost from their outset.

Although the "free" or "financial" market had been designed as a mechanism appropriate for the Belgian franc's position as a basically strong currency, it came to be seen also as a useful mechanism under quite different circumstances. It was able to serve as a safety valve that protected the "regulated" or "official" market — and hence the National Bank of Belgium's foreign exchange reserves — from speculative or other untoward capital-account pressures.

This was evident during the Belgian Congo crisis in the summer of 1960. It has also been evident in more recent years, including last year, when the Belgian franc has been buffeted on the exchange markets. Much of this speculation has necessarily been confined to the "financial" market, but it is only on the "official" market that the National Bank has been obliged to intervene so as to respect the parity margins established under the European Monetary System (and earlier under the European "snake" agreement).

The division between types of transaction to be settled on one or

the other market has never corresponded exactly to the division in the balance of payments between current account and capital account. Under the present BLEU exchange-control arrangements governing the two markets, which apart from minor modifications have been in force since 1971, all trade-related payments as well as various service and transfer payments must pass through the "official" market.

Wide Spread

Some service and transfer payments (private travel expenses that are not paid through travel agencies and certain remittances) must be settled through the "financial" market, however. Some types of transactions may be channeled through either market: portfolio investment income (a current-account transaction in the balance of payments) and certain direct investments (capital-account transactions). Yet, the "official" market is essentially for current-account transactions and the "financial" one essentially for capital-account transactions. The volume of transactions settled through the "official" market is much greater than the volume settled through the "free" one.

There has been a wide, if fluctuating, spread between rates on the two markets, with the dollar (and other foreign currencies) at a premium on the "financial" one — that is, the dollar's rate in Belgium francs has been higher on the "financial" market than on the "official" one. In the second half of 1981, this spread was enlarged to an unprecedented extent, reaching 16 percent before falling.

The reason for this relative weakness of the Belgian franc on the "financial" market lies in the BLEU balance of payments since the mid-1970s. This has led to the Belgian currency's tendency to be weak on

(Continued on Page 8S)

Banker: 'The World Needs To See That There Is a Will'

KREDIETBANK, a member of the Belgian Big Three along with Societe Generale and Banque Bruxelles Lambert, has concentrated on the development of Flanders, its birthplace, on maintaining its fourth-ranking world position for Eurobond issues and on "re-framing from stakes in industry," to the words of its new president, Edward Wauters.

The bank's parent company, Almani, offers a wide variety of financial services to the public and industry, but has no direct investment in industry as Societe Generale de Belgique does. This traditional banking role has not prevented Kredietbank (79th in the world, balance sheet BF538 billion, estimated 1981 profits BF1.8 billion) from speaking out forcefully in 1981 about the "dramatic"

state of the Belgian economy. The adjective was used specifically to describe the state of public finances and the balance-of-payments deficit.

Mr. Wauters says that the new government is "one of the best that has a chance of working. The coalition is good, its members are good and they are motivated by this tragic state of affairs. People here and abroad expect them to do something. If the government takes a firm stand, if it carries out its program, then Belgium's credit rating will even improve. The whole world, however, needs to see that there is a will."

The bank, formed in 1935 from the merger of two small Flemish banks, has increased its assets five

(Continued on Page 9S)



Edward Wauters: A vote for austerity.

Belgians Urged to Employ Sharper Management Skills

By Jacques Thierry

FEW PEOPLE would dispute the fact that the Belgian economy is in serious trouble. Consumption is outstripping productive investment and exports. There is too much income allotted to households, but not enough to the corporate sector, while public sector budgets are heavily out of balance due to the financing of an overextended welfare state. The nonproductive sector of the economy is developing at the expense of the productive sector, which is shrinking in size.

"The whole country is sold out and is going down." This is a remark on Britain made by one of the characters in Graham Greene's novel "Travels With My Aunt," published more than 10 years ago. As far as Belgium is concerned and as a matter of principle, I personally refuse to go along with such pessimists, as I am convinced that it is not too late to take the

corrective measures to overcome the Belgian crisis.

The Belgian population is profoundly attached to the kind of industrial and service economy it has built up since the early Industrial Revolution, not forgetting the large contribution of foreign investors, especially in the 1960s and 1970s. People are by and large ready to make the necessary effort in order to conserve the advantages of the way of life and standard of living reached at the beginning of the oil crisis. The Belgian population could well accept the changes that will be required.

Economic Policy

A large amount of work has been done toward the diagnosis of the Belgian sickness and the formulation of a new economic policy. In the course of last year, the

following political or academic research efforts were made:

• The emergency plan of Prime Minister Wilfried Martens presented on March 29, 1981, which caused the downfall of his fourth Cabinet.

• The blueprint of the Planning Office on Economic Perspectives and Medium-Term Strategy that appeared in May, 1981.

• The economic policy recommendation of the European Economic Community Commission to the Belgian government issued on July 22, 1981.

• The Report on the Economic Future of Belgium, prepared on behalf of the King Baudouin Foundation by a group of eminent personalities chaired by Prof. H. Vander Eycken.

The new Martens government, which took office in December, 1981, has made clear its intention to give priority to a new economic and social policy and to the effective functioning of the recently re-



Jacques Thierry

gionalized institutions of the country. People at large are becoming

(Continued on Page 9S)

Banking and Finance in BELGIUM

The Belgian Capital Market

Total amounts floated in the past five years
(billions of Belgian francs)

	1977	1978	1979	1980	1981
Shares	10.23	9.54	5.59	1.70	0.31
Convertible bonds	0.43	—	2.50	—	—
Real estate certificates	0.33	0.90	2.45	0.38	—
Industrial bonds	3.63	—	—	5.00	5.00
Government bonds	147.80	185.00	196.00	154.80	144.00
Other bonds of the public sector	102.50	95.00	81.70	67.50	98.50
Bonds floated by international institutions	1.50	4.50	4.00	2.00	2.00
TOTALS	286.62	294.94	292.24	231.38	248.81

Hopes Are Pinned on Special Powers

(Continued from Page 75)

and energy costs for firms on the other.

The special powers will run for an effective 10 months by the time the Senate has approved them. Some bankers take an alarmist view, saying that gold and foreign currency reserves total BF750 billion, against liabilities of BF550 billion.

Government and banks are aware that Belgium's prime rating on the Euromarket has been sapped by a long economic decline plus a year of political infighting that led finally to the election of a seemingly strong government.

Belgium wants to reduce its dependence on foreign loans, which totaled BF230 billion last year. A banking world faced with Poland and Zaire is hardly likely to downgrade Belgium, yet a prominent Belgian banker stated: "It is clear that Belgium has lost its image over the past three or four years. On the other hand, Belgium is one of the richest countries of Western Europe. You just have to look at the high density of cars, banks, chemists, schools, home ownership. There are more homeowners here than in West Germany. I myself am better-paid than I would be in West Germany."

The argument about economic slump also hides the fact that the Belgian worker is probably the most productive in Western Europe.

The Belgian disease is that public spending and handouts have moved away. The Belgians now are in for a year of austerity that could well extend in one form or another to a period of four years, given political approval. The planned measures include:

- The reduction of the standard corporation tax from 48 percent to 45 percent. These taxes had increased during the decade from 30 percent, and to 52 percent in some cases.

- The abolition of temporary "solidarity" taxes.

- The replacement of existing tax incentives to stimulate investment by a tax deduction at the time of investment or by a change in permissible depreciation rates.

- Tax incentives to stimulate stock market investment, particularly purchases of Belgian shares. There has been a mini-boom on the exchange since the government measures became known, with some shares posting gains of 30 percent to 50 percent. The government is introducing a scheme similar to the Monocry funds in France and that in Sweden, and investors will receive tax rebates that in effect halve the purchase price of stocks.

- Changes in the wage indexation system, although these have yet to be detailed. The government is hoping that workers will accept a drop in wages in return for job security. Middle-level cadres will probably be asked to make a greater sacrifice.

- Lower value-added tax rates for the building industry (17 percent to 6 percent).

- A halving of the public sector deficit over four years to eliminate the need for foreign borrowing. The government turned to foreign borrowing as recently as 1978, but it tapped the market to such an extent that some U.S. and Swiss bankers have been wondering whether Belgium can maintain spreads of three-eighths to one-half percent over Libor (the London inter-bank offered rate) when it comes to future loans, it is likely that it will.

- A 1982 budget with a current deficit of at most BF200 billion, a figure that will have to be achieved through spending cutbacks of BF120 billion.

- A tax reform scheduled for 1983 that will introduce a lesser degree of progression for households with large families. A reduc-

tion of marginal tax rates will also be undertaken.

The government is seriously trying to increase risk capital while persuading workers that wage deflation is a necessity. It hopes that 1981's 1.25-percent drop in GNP will move to a 1-percent rise this year. Workers at the Bruxelles Lambert bank who have accepted a 5-percent wage cut (bank profits rose from BF304 billion to BF723 billion) will set an example for others, or so the government hopes.

Although Belgium wants to stop borrowing abroad, it will almost certainly have to go to the market again. The state's borrowing requirement is expected to be in the BF500 billion to BF550 billion range this year. Mr. De Clercq and his colleagues are hesitating about whether to launch a \$1.5-billion jumbo loan, given Belgium's uncertain rating, but there is little doubt that the money will be raised, albeit in smaller chunks. The government is also raising BF40 billion to BF50 billion on the internal market with a 14.30-percent loan.

It seems determined to defend the franc, despite rumors in other capitals of a devaluation. The Belgians have never formally devalued their franc, and many bankers feel a devaluation would only increase the foreign debt.

The view is that the government will probably reject a devaluation, if only for psychological reasons, and that it will not follow any possible devaluation this year of the French franc. A minority view, however, is that the Belgian franc could move downward by 7 percent to 8 percent. As important are concessions and loans designed to bring home BF250 billion to BF300 billion that are now abroad.

Alan Tillier, a Paris-based independent economic journalist, is a frequent contributor to IHT special supplements.

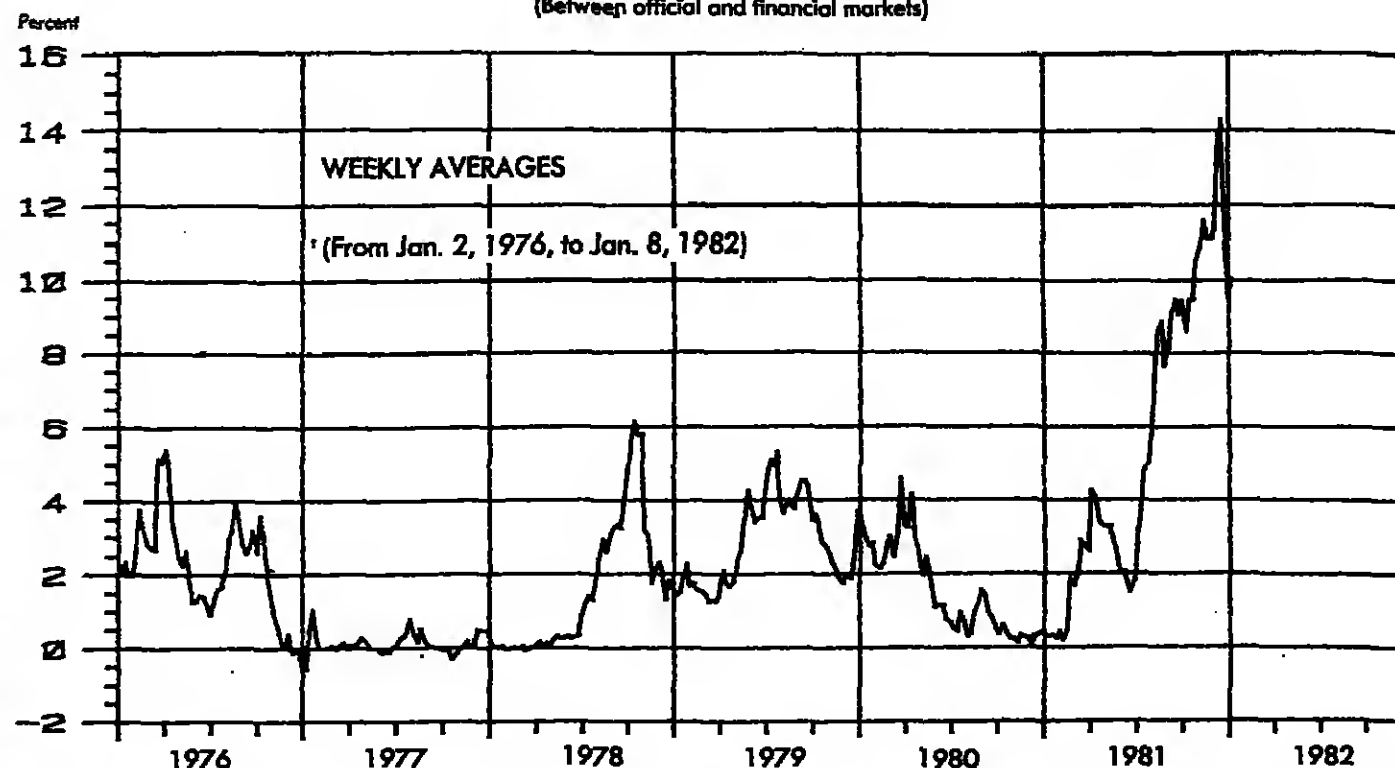
Two-Tier Exchange Market

(Continued from Page 75)

the "financial" market as a result of capital outflows linked to the weaker state of the economy and periodic fears of devaluation vis-à-vis other European currencies. Such outflows have been quite substantial, given the openness of the Belgian economy and the absence of formal exchange controls on capital movements. The financial franc is a de facto exchange control; as rates drop, it theoretically is supposed to inhibit the outflow of funds.

The phenomenon of the rapidly widening spread at times of intense speculative pressure is readily explainable. If part of the pressure falls on the "official" market in the form of leads and lags in trade payments, it is countered there, insofar as is necessary, by the exchange market intervention of the National Bank. On the other hand, the pressure from speculative capital movements is fully exerted on the "financial" market, where National Bank intervention is excluded in principle (although it is not ruled out). Hence, a rapidly widening dollar premium (or Belgian franc discount) on the "financial" market is a sort of warning light indicating adverse speculative pressure.

It would seem there were very substantial private-sector capital outflows in the second half of 1981, especially in the last quarter. Latest BLEU balance-of-payments

Brussels Exchange Spread
(Between official and financial markets)

figures for the third quarter show an adverse trend.

After last summer, there was a deepening pessimism in Belgium, which was linked to the critical problem of Belgium's major budget deficit and the poor performance of the economy as well as to the general economic and political situation in Europe. This climate was conducive to a diversification abroad of investment portfolios by Belgian residents. A special factor,

even if of only marginal importance, was the attraction for many investors of the very high coupons on Euro-Canadian dollar bond issues in the last four months of 1981.

What eventually reversed the over-greater spread between the two exchange markets at the end of last year (and dampened the speculation against the Belgian franc) was, first, the sharp tightening of monetary policy by the Na-

tional Bank in mid-December and, second, the formation shortly afterward of the new right-of-center government.

The spread is thus partly a function of the degree of confidence in the Belgian franc. If the new government fulfills the expectations it has encouraged and makes major headway in redressing the chronic budget deficit and reinvigorating the economy, then it is likely that the spread between the two ex-

change markets will eventually be reduced to more normal levels.

Otherwise, the two-tier exchange market will continue as in recent years to provide both a limited safety valve for adverse speculative capital pressures and a warning light showing that something may seriously be wrong.

Michael Sutton is an economist and a writer on Belgian financial affairs.

Banking Community Awaits Changes in Disclosure Laws

By Ludo Swolfs

TWO MAJOR areas are of particular importance in bank auditing and reporting in Belgium today: the proposed EEC banking directive and the problem of auditing standards. The new EEC directive will require some important changes in the laws governing public disclosure of banking information.

The Fourth directive of the EEC on company law deals with the harmonization of annual accounts of private and public companies, but from the start it was clear that banks and other financial institutions merited separate legislation.

Until now, it has been mainly the Belgian Banking Commission that laid down the legal framework for bank reporting and annual ac-

counts in the country. This commission is also responsible for monitoring all banking and financial activities in Belgium, with a view to protecting the interests of the public.

In Belgium, the commission appoints special auditors (*Revisors Agrées par la Commission Bancaire/Revisoren Erkend door de Bankcommissie*) who are selected from a restricted list of members of the Belgian Institute of Auditors. These auditors report to the commission. At present, there are only 44 such special auditors for the whole country.

Where a bank is incorporated with limited liability, Belgian company law also requires another auditor appointed by the shareholders and who reports to them. Again, the audit can only be given to a member of the Institute, but not necessarily one on the restricted list.

Strict Standards

Auditing standards have been laid down by the Belgian Institute of Auditors for some years now, and in general they are comparable with and as strict as the standards in effect in the United States. Professionals of countries with a long-standing auditing tradition would be surprised, however, at the way in which such standards are often not followed.

The auditor is faced with the problem that with restricted fees and pressure from the banking commission to report non-audit matters as well (which is time-consuming), he cannot afford to live up to his auditing standards. This ambiguous situation is well understood, both by the auditors and the banks — but it seems that tradition remains stronger than common sense. All the same, the auditors have not been completely in-

nocent about the situation. The result is that the auditors tend to rely to a large extent on the work of internal auditors and on conclusions on internal control that, from an international point of view, are insufficiently supported.

But the Belgian auditing profession, fortunately, cannot escape from the international evolution. A marked improvement in audit awareness has already been achieved over the last few years and a proposed law will make sweeping changes to the legal framework within which the Belgian public accountants will operate in the future.

A question remains about whether the banking and business world in general will be willing to pay for the improvement in auditing standards. The alternative, however, appears to be even more expensive: the risk of being left behind in international mainstream developments.

The bank directive will have a significant impact on the way banks report their annual activities to the public. Currently, banks apply a variety of accounting principles in areas such as foreign exchange, loan-loss provisions and valuation of securities, and the auditor has little support from his professional body in evaluating the validity of the various accounting principles that are used. He is, therefore, forced to rely almost entirely on his own judgment and guidelines made available by the banking commission which relate only to the valuation of securities. In certain cases, the auditor can refer to internationally accepted accounting principles.

Insofar as public disclosures for banks are concerned, the accounting principles applied do not have to be presented in the annual report, and it is a fact that most

banks do not disclose such information. All this will change, however, once the proposed banking directive becomes law.

The challenge faced by Belgian bank auditors does not end with EEC legislation. The Belgian banking system has introduced a number of methods of serving its highly international clientele. Computer techniques such as SWIFT (international, automated money transfer system), automatic cash dispensers, and direct charges to accounts without intervening paperwork have appeared on the Belgian scene.

But systems such as these are just a few of the innovations that necessitate specialized auditing techniques. To deal with this, auditing firms now employ highly trained computer auditors to de-

velop techniques for sophisticated computerized systems.

Belgium's banking community is in for a period of readjustment and reassessment. Belgian banks have in the past been international in outlook, placing a large proportion of their funds outside the country. Therefore, compliance with the forthcoming EEC legislation should not present a problem.

What role will the auditor play in the evolving situation? He will have to evaluate the accounting principles adopted by the bank and try to influence the principles that are chosen. The more public the rules and regulations in this area, the easier the auditor's task will become.


Ludo Swolfs is the manager of Ernst & Whinney, Brussels.

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— ALAN TILLIER

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Banking and Finance in BELGIUM

An Official View

Nation's Commitment to EMS Stays Strong

Jacques Van Ypersele is chief aide to the Belgian premier.

By Jacques Van Ypersele

THE RELATIVELY small size of the Belgian economy and the small weight — less than 10 percent — of the Belgian franc in the European Currency Unit (ECU) basket mean that it would be presumptuous to claim that Belgium is one of the pillars of the European Monetary System (EMS).

Politically, the claim would seem more valid. One cannot help noticing the consistency and continuity with which successive Belgian governments since 1975 have given their strong support — and the active way they have sought to improve it.

In March, 1981, two years after the EMS had started and at a time of increasing concern in Europe over the fluctuations of the dollar, Premier Wilfried Martens emphasized to his European colleagues meeting in Maastricht the need to improve the coordination of intervention policies vis-à-vis the dollar.

European Council

He proposed that the existing system of bilateral swap agreements between the U.S. Federal Reserve and the European central banks be replaced by a multilateral Fed-FECOM swap credit line, which could be used to stabilize the exchange markets within the EMS instead of creating tensions, as is often the case with uncoordinated bilateral interventions.

This proposal was revived by then-Premier Mark Eyskens at the latest European Council in London in November, along with other suggestions to strengthen the

EMS and extend the role of the ECU. Mr. Eyskens also gave clear signals of the Belgians' intention to use their presidency of the EEC Council of Ministers during the first half of 1982 to promote improvements in the operation of the EMS.

The reasons for this strong Belgian commitment in favor of the EMS are twofold. The first one can be found in the real economic advantages that a small, open economy like Belgium, in which exports represent 50 percent of the gross national product and in which 70 percent of foreign trade is oriented toward EEC partners, finds in the relative stability of exchange relationships brought about by the EMS for its members.

Certainly, this stability was altered by a few parity realignments within the EMS, made necessary by the lack of convergence in economic results among member countries; but this did not prevent it from being a noticeable achievement, with tangible benefits for trade and investment, in the ocean of instability that the international monetary system has been for several years.

This is particularly important in a period where protectionist tendencies resurface too often, and where investment efforts to achieve structural adjustments in Western industrial economies are much needed.

The other reason for Belgium's attachment to the EMS is the nation's general political commitment to the cause of Europe and to the ideals of European integration. Almost 25 years ago, two Belgians, Paul-Henri Spaak and Baron Snyers d'Oppers, played a leading role

in launching the European Economic Community.

Those ideals were never seriously questioned by Belgian public opinion, and decisions aimed at strengthening European unity are bound to be looked upon favorably by Belgian opinion and political leadership alike.

Belgium intends to promote the EMS actively. When the EMS was created, future improvements were programmed into its evolution in the form of an institutional phase involving the establishment of the European Monetary Fund, which the system was to enter two years after its launching. But this second stage has been postponed.

A more pragmatic attitude is called for, eschewing any philosophical discussion of whether a particular reform belongs or not to the institutional phase, and asking what can be done now, in the line of what has already been decided, to improve the functioning of the EMS.

Bringing the pound sterling into the EMS exchange mechanism and thus making Britain a full-fledged member would be a major improvement in Belgian eyes. I believe the time has come. If, as now expected, the British balance of payments deteriorates this year, together with that of the United States, while it improves in West Germany, the entry of sterling into the EMS exchange mechanism would help fight inflation in Britain by protecting the pound against downward overshooting movements.

Stable Framework

It would also give British authorities a more stable framework in which to conduct macroeconomic policies that the single-minded pursuit of fixed — but elusive — monetary targets has given them.

A start should be made on giving substance to the future European Monetary Fund by setting up a permanent fund board — with each central bank appointing one member — that would be endowed with the following responsibilities:

• The management of the EMS external reserves and the control of the creation of ECU.

This would imply that transfers of dollars against ECUs by central banks to FECOM, which now take the form of three-month renewable swaps, become permanent. This would give the ECU a more permanent existence, and would therefore remove a big obstacle to its more extensive use. It would allow possible reforms in the mechanism of ECU creation, which is now the automatic result of changes in the market values of gold and dollars.

• The management of the very short-term and short-term credit mechanisms.

• The coordination of interventions in third currencies, and particularly in dollars. Our first task should be to try once again to persuade the U.S. authorities that their policy of benign neglect toward exchange rates is not conducive to good results and is detrimental to Western economies.

Authorities on both sides of the Atlantic should give a clear signal that they care about the volatility of the dollar and that they want to reduce it. One way they could give such a signal while reinforcing policy coordination within the EMS would be to set up an EMS-Federal Reserve swap credit line to replace the existing bilateral swap agreements. This EMS-Fed swap could be used in such a way as to stabilize the exchange market within the EMS instead of creating tensions, to the extent that the currency used by the Fed for reimbursing the EMS would not need to be the same as the one borrowed for intervention.

The development of the permanent board's responsibilities in each of the above three areas would call for a parallel extension of the role of the ECU both in its official and in its private use.

Having recommended changes in the EMS, I want to stress that in my mind those initiatives should be accompanied in 1982 by a renewed and determined effort toward a greater convergence of our economies. Recently, the EEC Commission, basing itself on the necessary convergence implied by the EMS, has issued recommendations to Belgium and Italy. These two countries should make a major effort to take the necessary domestic adjustment measures.

This is part of the rules of the game of the EMS, Belgium, which is a strong advocate of strengthening the EMS and moving to a further phase of its development, should also draw all the domestic policy implications of such a move. The economic program of the new Martens government, which aims to deal with the structural imbalances in public finance, balance of payments and employment, shows the clear will to do so.

It is to be hoped that in this first half of 1982, under the Belgian presidency, the Community will make progress in this area.

Ranking of Major Belgian Banks

(Figures from balance sheets for 1980. Note that listings for the Nos. 1, 2 and 5 banks give non-consolidated 1981 figures. Other 1981 figures will be available in the spring).

	Millions BF
1. Societe Generale de Banque (1981, non-consolidated)	1,157,000
2. Banque Bruxelles Lambert (1981, non-consolidated)	832,000
3. Credit Communal de Belgique*	698,000
4. Caisse Generale d'Epargne et de Retraite	679,709
5. Kredietbank (1981, non-consolidated)	538,000
6. Societe Nationale de Credit a l'Industrie	341,239
7. Credit Lyonnais	316,986
8. Centrale des Caisses Rurales (CERA)	148,143
9. The Sumitomo Bank	132,903
10. Cooperative Ouvriere Belge (COB)	132,465
11. Banque Europeenne de Credit	107,469
12. Banque de Paris et des Pays-Bas Belgique	103,294
13. Morgan Guaranty Trust Co. of N.Y.	97,850
14. Caisse Hypothecaire Anversoise (AN-HYP)	94,432
15. International Westminster Bank	93,856
16. Banque Nationale de Paris	87,802
17. The Mitsui Bank	84,335
18. Caisse Nationale de Credit Professionnel	73,990
19. Citibank N.A.	71,804
20. Barclays Bank International	66,795
21. Caisse d'Epargne Ippa	54,803
22. Continental Bank	46,639
23. Algemeene Bank Nederland	44,356
24. Banque Europeenne Arabe	38,734
25. Societe d'Hypoth. et d'Epargne d'Anvers	37,432

* Savings bank.
Source: Association of Belgian Banks.

Confidence Counts

(Continued from Page 75)

deb) is an absolute necessity. The rise of public spending should be lower than that of consumer prices. The government also wants to introduce the principle of costing in the public sector. Other government measures involve a halt to recruiting and greater mobility for personnel. Reduction of the subsidies to public enterprises will be linked to rationalization. Social allowances will be more selective.

Q-Tax concessions for people investing in the stock market have had a stimulating effect. How do you see the Bourse and industry financing in 1982?

A-Previous tax concessions for firms set up between March, 1977, and Dec. 31, 1983, will be extended so as to encourage the public to buy shares or take part in the raising of new capital. Measures under study include a one-year exoneration of taxes on income, exoneration of inheritance taxes and donations and, in another formula, the waiving of taxes on annual investments of BF50,000, a sum which can be increased for family members.

Rise on Bourse

Tax incentives announced in mid-December caused a rise on the Brussels Bourse, although they had not been outlined in detail. The new government has shown that it wants to pay more attention to firms' financing and to encourage risk capital. It is resolutely opposed to debt-financing, which has been an unbearable financial strain on many firms in recent years.

Interest rates will fall when the public debt and the balance-of-payments deficits are reduced, thus helping industry financing. We are preparing a program aimed at improving profitability and cash flow and therefore firms' investments and competitiveness. What is of major importance is the control of cost prices plus the replacement of existing and insufficient tax incentives by a new integrated system in which priority is given to reducing the tax bill of firms. Belgium can then again become a country able to attract foreign investment and encourage its own firms.

Q-Just how actively will Belgium seek new foreign investment? Can you still attract foreign firms as you did a decade or so ago?

A-In the "golden '60s," Belgium was one of the most attractive countries for foreign investors. We still have this chance and the possibility of making use of it. The government will soon introduce a series of concrete measures designed

to reduce enterprises' costs and so make Belgium again an attractive country for the foreign investor. Certain "solidarity taxes" on large firms will be abolished. Basic company tax will be reduced from 48 percent to 45 percent. Investors will have a choice between immediate tax relief at the time of investment or amortization based on a higher value than acquisition.

Production costs will be reduced by a reform of wage indexation and measures limiting the rise of the salary bill on the one hand and respecting social agreements on the other. A fall in the price of electricity will result from the

At the moment, our economy is without doubt 'blocked'... but its strengths are intact.

forthcoming opening of nuclear power plants. A cut in the budget deficit will tend to exercise downward pressure on internal interest rates.

These steps will enhance Belgium's traditional advantages — a highly qualified and productive work force, the country's position in Europe, its developed communications networks and its openness toward the world.

Q-Can Belgium produce a second postwar recovery?

A-My answer is assuredly positive. At the moment, our economy is without doubt "blocked" by imbalance, excesses and a laissez-faire, but its strengths are intact.

Belgium still has many resources — the quality of its workers, an educated and technically formed population, research laboratories that can match the best in certain sectors, a system of railways, routes, air and shipping lines that is the envy of others, firms that perform and that in some cases are in the forefront of technical progress.

We have the means to live better than at any time. We are living now above our means because we have been led toward an impasse that stifles our means of expression. In a sense, we are living below our possibilities because we are not using every available source for extra income.

Positive forces should once again give the lead. In the past, the country has proved what it is capable of. This government will prove to the country and the world that we can succeed with a new recovery.

Belgians Urged to Employ Sharper Management Skills

(Continued from Page 75)

more conscious of the unavoidable nature of the adjustments that await us. There is a growing feeling that more effort should be concentrated not on resisting change, but on adapting to it and even bringing it about. Jorge Luis Borges may be right when he observes that "conservatives are irremediably lost due to their wrong choice of things to be conserved."

Statesmanship and management skill will be most welcome in Belgium in this period of rapid change

and national emergency. A more entrepreneurial approach should be followed everywhere, from public decision-makers at the highest level down to every citizen who should become a kind of entrepreneur for his own household, at his job and within his community.

This approach will make it possible to manage positively the crisis and to adjust to it, rather than passively let the whole economy be overwhelmed by its damaging consequences.

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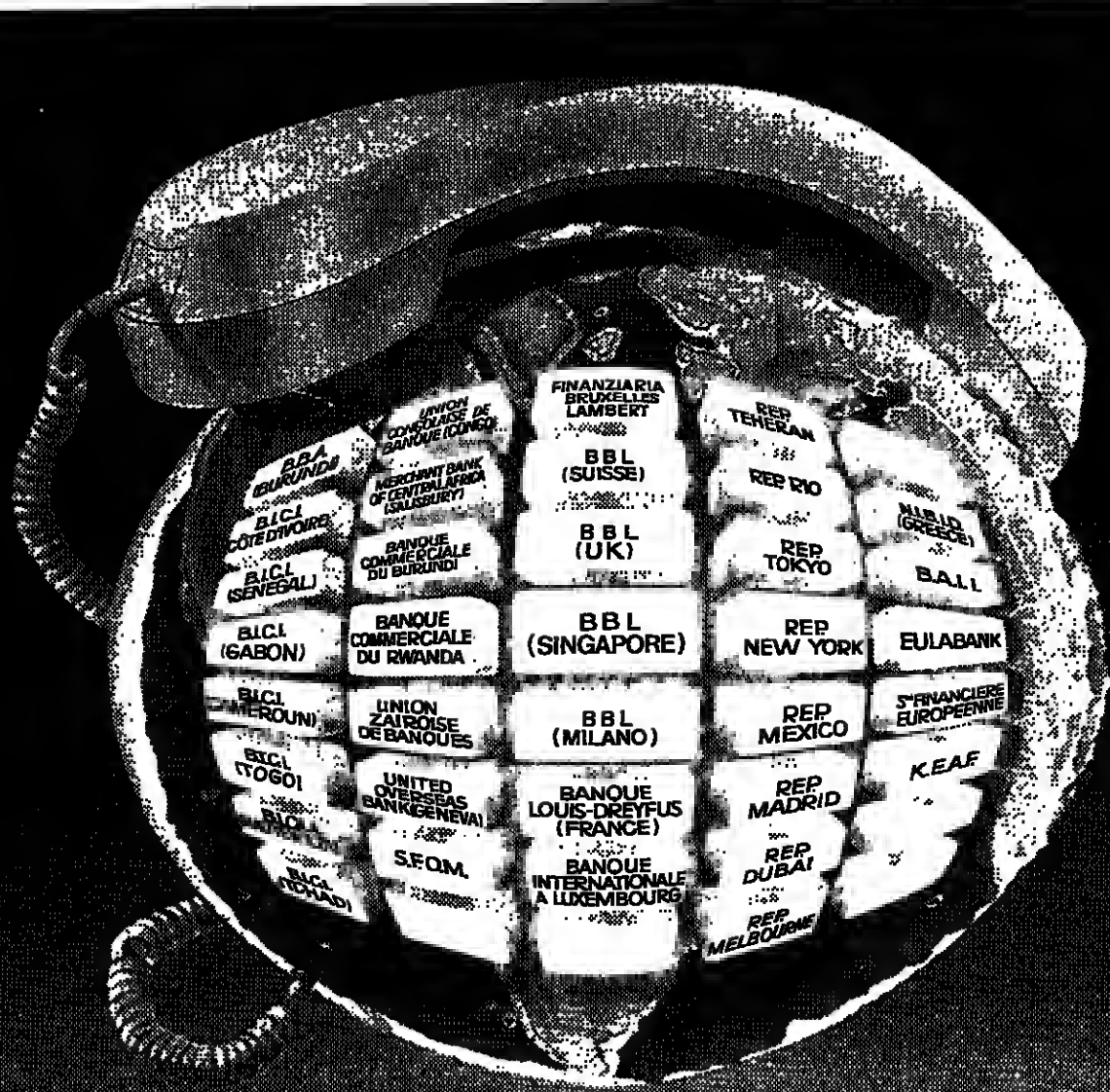
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Jan. 26, 1982
(Closing prices in local currencies)

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BUSINESS NEWS BRIEFS

Moody's Cuts Citicorp Debt Rating

NEW YORK — Moody's Investors Service said Tuesday it had lowered Citicorp's senior long-term debt rating to double-A from triple-A. The change reflects Moody's view that the company's basic profitability will not permit retention of sufficient earnings to reduce significantly the present high leverage, it said. Moody's said that in recent years, Citicorp's declining profitability and aggressive asset expansion have resulted in steadily increasing leverage. Standard & Poor's took a similar action on Citicorp's senior debt in September, lowering its rating to double-A-plus from triple-A.

BNOC to Present Plan for North Sea Clyde Field

LONDON — State-owned British National Oil Corp. will present a £1 billion development plan for the North Sea Clyde Field, to partners Royal Dutch-Shell Group and Exxon unit Esso Petroleum Ltd. within a few days, oil industry sources said Tuesday.

BNOC, which has a 51 percent share in Clyde, hopes to submit a formal development application to the Department of Energy within six months with the aim of achieving peak production in the field by early 1988, the sources said.

They said the production platform would be ordered in 1984, floated two years later and would come on stream in late 1987. The sources said the maximum average rate of production from Clyde, discovered in 1978, would be about 50,000 barrels a day. The field has reserves of around 140 million barrels, they said.

Davy Plans £25.5 Million Rights Issue

LONDON — Davy Corp. said Tuesday it plans to raise about £25.5 million through an underwritten 1-for-4 rights issue at 140 pence a share. Davy said it decided to raise additional capital to cut its long-term debt, improve its debt-to-equity ratio and to provide financial flexibility for future business development.

The new shares will not receive the interim 2.2 pence dividend for the half year ended last Sept. 30. The board expects to declare a final dividend for fiscal 1982 ending March 31 of 5.17 pence, making 7.37 pence, a 10 percent rise on the previous year.

Lloyds Bank to Buy Marsh & McLennan Unit

LONDON — Lloyds Bank's Lloyds & Scottish Ltd. has agreed to buy Bowmaker Ltd., a finance company, from C.T. Bowring, a subsidiary of Marsh & McLennan, for £80 million, a joint statement said Tuesday.

The statement said Bowmaker on Monday paid Bowring a dividend of £13.5 million, while Lloyds & Scottish will pay £66.5 million on completion, making £80 million as total the amount that Bowring will receive.

Bowmaker's consolidated 1981 pre-tax profit is estimated at £7.5 million. Bowmaker (Plant) Ltd., a distributor of tracked vehicle equipment, is not included in the sale. The eventual sale of Bowmaker has been expected since Marsh & McLennan, the U.S. insurance company, acquired Bowring over a year ago.

Japan Moves to Lower Nontariff Trade Curbs

TOKYO — Calling the protectionist mood in the U.S. Congress "dangerous," Shintaro Abe, minister of international trade and industry, Tuesday declared that Japan next Saturday would announce actions to lift some '67 or '69 nontariff trade barriers among 99, which have been cited by the United States and Europe.

Japan must take "great action" in the next two to three months to remove import barriers to forestall U.S. protectionism, Mr. Abe said. But he indicated that no action is yet being planned to remove any of Japan's remaining import quotas, 22 of which limit imports of agricultural goods, such as beef and citrus fruits.

The much-criticized nontariff barriers are viewed by the United States and the EEC as evidence that Japan is a closed market — resistant to imports, yet exporting aggressively at the expense of other nations. Although Japan has reduced its tariffs, it maintains a number of less visible impediments to imports, such as uncommonly severe health and safety standards and testing requirements for some products.

Back from a seven-day trip to the United States, Mr. Abe said he found the sentiment in Congress "dangerous."

With 10 million unemployed and an "unprecedented recession" in the U.S. auto industry, "a feeling of helplessness" prevails in the United States, he told a meeting of the Japan national press club.

"The next two to three months is the time for decision. If great action is not taken by then [by Japan], I fear that the free trade system which has been built up until now may be overturned by the roots," he said.

Mr. Abe said Japan would dispatch special envoys to both the United States and Europe to explain the measures it will announce Saturday as well as measures it announced last month. The December measures, including a two-year speed-up in planned tariff reductions on some 1,600 import items, has so far been largely ignored by Congress, he said.

In Washington, Commerce Secretary Malcolm Baldrige said he will support legislation that would restrict Japanese access to U.S.

Lenders to Ailing U.S. Airlines Fear a Major Bankruptcy

By Linda Grant
Los Angeles Times Service

NEW YORK — Concern is mounting among lenders and suppliers to U.S. airlines that the rapidly deteriorating financial condition of half a dozen major carriers threatens to force one or more into bankruptcy, causing sizable write-offs at banks and insurance companies and a painful contraction of orders for aircraft.

"Do you realize," laments one New York banker, "that five major U.S. airlines right now are flirting with bankruptcy?" Adds another, "Instead of worrying about our Polish debt, you ought to be asking about our airline debt."

According to analysts, the domestic carriers fighting for survival are Braniff International, Continental Airlines, Pan American World Airways, Republic Airlines and Western Airlines.

The scope of Continental's problems was underscored Monday when the airline said it would lay off 1,500 employees and seek concessions from unions in an effort to cut costs by \$60 million. Other cutbacks include a management realignment that will eliminate 12 vice president positions, a reduction in routes and flights and the possible sale of some of its 73 aircraft.

The chairman of a sixth carrier, Frank Borman of Eastern Air Lines, has told em-

ployees that the company, which lost \$65.9 million last year and has a heavy debt burden, must earn a profit in 1982 or face sharp cutbacks.

The airlines' creditors have thus far continued to support the carriers, in some cases by deferring payments on loans or extending new credits. Braniff, with \$161 million in principal and interest due Feb. 1, on Friday won extension of its debt-repayment schedule.

On the international front, Laker Airways, the British reduced-rate carrier, is also struggling. The airline's creditors recently agreed on a package to help Laker meet payments on its \$359-million debt. And in a gesture of support, McDonnell Douglas and General Electric Co., suppliers of both DC-10s and Airbus A-300s, said they had agreed to participate in the financial restructuring.

Though the Financial Times reported that McDonnell Douglas and GE would invest \$9.4 million in Laker, a stake that could eventually turn into a shareholding of 10 to 20 percent, GE denies that it will make a cash injection or assume any equity in Laker. A McDonnell Douglas spokesman said the company will not comment on specifics of its agreement.

Last year, the world's major airlines

racked up a staggering \$2.1 billion in losses. U.S.-based airlines — buffeted by recession, rising costs, reduced traffic from the air controllers strike, increased competition from deregulation and in some cases nearly suicidal fare wars — have chalked up record losses that could total \$300 million for 1981.

George James, chief economist for the Air Transport Association in Washington, D.C., says: "When final 1981 results are compiled, the industry could show its worst year ever. Moreover, prospects for 1982 are not encouraging, making the 1979-to-1982, four-year financial performance the worst in the history of scheduled airline service."

Interest Forgiveness

This outlook is causing plenty of discomfort for lenders to airlines. According to the Air Transport Association, the 16 largest U.S. carriers in 1981 had \$10.1 billion in long-term debt, including leases. Creditors are most concerned about possible write-offs, because they come directly out of profit. But the lenders are also unhappy about the alternative — categorizing a sizable number of loans as "nonperforming assets," loans that collect no interest.

Salomon Brothers, in a recent report,

identifies Braniff and Republic as the most seriously troubled U.S. airlines. Dallas-based Braniff, with more than \$650 million in debt and substantial operating losses, no longer has any equity — its liabilities are greater than its assets. The only reason its planes continue to fly is that lenders have extended extraordinary support.

The creditors, which include 22 banks, 15 insurance companies and two suppliers, Boeing and United Technologies Corp., deferred payments of \$83 million in principal and \$38 million in interest due last July, and have forgiven all interest payments through Feb. 1. The big question is whether they will agree to similar terms for another eight months. If any one of the lenders refuses to go along, Braniff could be forced into bankruptcy.

Republic Airlines has been hemorrhaging ever since the air controllers strike began last August. The Minneapolis-based airline grew rapidly in the past three years from three back-to-back mergers among North Central Airlines, Southern Airways and Hughes Aircraft.

The mergers, plus big aircraft purchases, saddled the carrier with debt and operating problems that now threaten its existence. Compounding its problems is the fact that two-thirds of its \$700 million in

debt is pegged to a floating rate ¼ to ½ percentage point above the prime rate.

So far Republic's lead lender, Citibank, and other major creditors including Continental Illinois Bank, First National Bank of Chicago, Bank of America, Crocker National Bank and Security Pacific National Bank are working with Republic in an effort to cut costs, defer aircraft purchases and sell some planes. But the market for used aircraft is already glutted, with more than 100 wide-body jets for sale.

Also on the critical list is Pan Am, which ran out of cash last August only to be pulled from the brink by a hastily arranged loan. Pan Am was almost forced into bankruptcy, however, when Chase Manhattan Bank refused to go along with a new \$475-million line of credit to replace an older credit line. Chase's move caused some smaller banks in the 21-bank consortium led by Citibank to pull out, but the airline was saved by an emergency loan of \$200 million.

Because the emergency loan had to be repaid by Dec. 1, Pan Am had no choice but to sell its Intercontinental Hotels subsidiary for \$500 million to Grand Metropolitan Ltd. of Britain. Cash from that sale is keeping Pan Am afloat, but its heavy operating losses are shrinking its cash reserves day by day.

London Officials Start Inquiry on Tin Dealings

LONDON — Fears of a squeeze in the tin market after extensive purchases by undisclosed buyers have forced the London Metal Exchange to start an investigation into trading by member firms.

"We are scrutinizing the tin records of dealing members because of the abnormal situation, which has resulted from the activities of unknown buyers," says Philip Smith, chairman of the London Metal Exchange.

Extensive buying from what is thought to be either a Malaysian or other Asian tin producer increased prices by 26 percent in the past six months to well over \$7 a pound, dealers say. The jump occurred despite declining demand from recession-struck tin users.

The buyers, acting through MacLaine Watson & Co., a London metal exchange firm, and a division of Drexel Burnham Lambert Inc., initially began buying tin futures in mid-1981 on the London exchange to support the price. However, producers, holders of the stocks, merchants and speculators, sold London Metal Exchange tin futures, hoping to hedge their positions.

With the futures price weakening, the buyers changed tactics. In November, they began buying all physical tin available on the London exchange for cash, dealers say. The dealers add that these purchases forced the spot, or cash, price of tin to trade at a premium, which is currently running at 6 percent or an equivalent 45 cents a pound, over the three-month futures quote.

This has created the unusual situation of spot tin selling at a higher price than futures prices. Futures usually sell at premium over spot, reflecting inventory costs.

"Many tin traders sold forward in November to legitimately hedge their production and stocks

against falling prices, but when delivery dates fell due in February, they may be forced to cover at their positions at higher prices and incur a loss," says Brian Sheridan, tin dealer at Philipp & Lion, a London metal trading firm. He adds that there are insufficient tin stocks on the London Metal Exchange to match open short positions for the next two months.

The U.S. General Services Administration's sales from its tin stockpile have been buoyant of late, dealers say, because several backed corporations that tin to fill their commitments on the London Metal Exchange. In December, the GSA allowed sales for export as well as for domestic uses.

"There could be a squeeze in February," says David Williamson, tin consultant at Hargreaves & Williamson, a metals trading and consulting firm, estimating that the mystery group had bought about 25,000 metric tons of tin, costing more than \$500 million. Those purchases represent about 10 percent of all 1981 tin production.

Mr. Williamson suspects that with these resources, "it can only be governments or government-backed corporations" that are making these transactions. He adds that these producing nations are hoping that the International Tin Council will eventually raise support prices and instruct its buffer stock manager to buy their surplus tin inventories.

Yet last week's London meeting of the International Tin Council, comprising most major tin producing and using countries, refused to accept producer demands to raise support prices. The council's governing nations, including the United States, West Germany and Britain, were concerned about manipulation and refused to raise prices," says a delegate who attended last week's tin council meeting.

British Panel Asks Changes In Regulation of Markets

LONDON — A study commissioned by the British government has recommended major changes in the ways financial markets are regulated.

The study, prepared by Laurence Gower, a law professor, recommends that current anti-fraud laws be replaced by a system of self-regulatory agencies.

Mr. Gower told a news conference Tuesday that at least four self-regulatory agencies would be needed, representing the stock exchange, the takeover panel, investment management and non-exchange dealings, and unit trusts. Additional agencies may be needed to protect investors in commodity markets, financial futures and life insurance.

He said the planned London gold futures market, in particular, calls for measures to protect investors and that writers of investment advisory letters should also fall under self-regulatory supervision.

The report was commissioned by the Trade Department following the failure of several investment companies last year.

Under the Gower proposals, the existing council for the securities industry would coordinate the self-regulatory agencies. Government supervision under the Securities Act would be exercised by the Trade Department.

Mr. Gower said, however, that much would hinge on cooperation from key organizations, particularly the stock exchange and the merchant banks.

He considered recommending a U.S.-style Securities and Exchange Commission, but decided this would require unacceptable to both government and financial markets.

Mr. Gower noted his proposals are distinct from the tighter controls proposed last week by the Trade Department for licensed dealers in securities under the Prevention of Fraud Act.

NYSE Prices Decline in Slow Trading

From Agency Dispatches

NEW YORK — New York Stock Exchange prices ended narrowly lower Tuesday amid concerns about President Reagan's State of the Union speech later in the evening.

The Dow Jones industrial average rose 3.90 points in morning trading but then lost momentum in the afternoon and finished off 1.24 points at 841.51. Declines led advances by around 750 to 680 and volume widened to some 45 million shares from 43.2 million Monday.

Investors are moving to the sidelines so they won't get caught if the market moves down tomorrow following the State of the Union speech, Hildegarde Zagorski of Bache Group said.

Analysts said stocks will probably fall if investors remain unconvinced that the President's policies will lead to reduced federal deficits. Investors are concerned that the government will have to step up borrowing to finance the deficits, which in turn could push up interest rates.

Administration officials said Mr. Reagan will announce that he has rejected proposals for an increase in excise taxes.

However, analysts said the market may find encouragement from Federal Reserve Chairman Paul Volcker's statement that the Fed will not raise the discount rate immediately.

A flurry of lower earnings also weighed on the market. Issues that fell because of drops in profit included Louisiana Land, off 1½ to 30½, Owens-Illinois, off ¼ to 27, Freepoint-McMoran 1½ to 18½, Robertshaw 1½ to 21½, U.S. Steel ¾ to 24½ and Standard Indiana ¾ to 44½.

In other corporate news, the Food and Drug Administration said Bausch & Lomb, in a consent agreement, will halt sale, distribution, promotion and advertising of its bifocal soft-contact lenses. The FDA said the company must apply to the agency for permission to market the lenses and must prove that they are effective.

The agency said approval of such applications normally takes several months.

Fed Has No Plan to Lift Key Rate

From Agency Dispatches

WASHINGTON — The Federal Reserve has no immediate plans to raise the discount rate it charges member banks, Chairman Paul Volcker said Tuesday in an appearance before the Joint Economic Committee of Congress.

In response to a question, Mr. Volcker said he does not ordinarily comment on the discount rate before a congressional hearing, but added that an increase "is not on my immediate agenda." Asked how long this situation would last, he said, "I'll make no comment on that."

Mr. Volcker's comments on the discount rate sent the dollar lower.

In London, the dollar closed at 2.3128 Deutsche marks, down from 2.3405 at midsession and an opening 2.3355. Eurodollar rates shed as much as half a point after the remarks. In New York, the dollar was quoted in midsession trading at 2.3135 DM marks against an opening 2.3325 DM.

In other testimony, the Fed chairman defended the central bank against charges that it was responsible for the current high level of interest rates, reiterated calls for budgetary restraint and blamed recent surges in the money-supply figures on technical factors.

Mr. Volcker argued that high interest rates have more to do with

investor uncertainty over the prospects of large federal budget deficits than the Fed's monetary restraint program. "I don't think those interest rates would be any lower if we were pursuing inflationary policies," he said.

Mr. Volcker said recovery from the recession depends a lot on the performance of the financial markets in the months ahead. He suggested the economy would improve if borrowers could raise money for longer terms at lower rates. The question was how to create this type of environment, he said.

The Fed chairman said it appears that the Federal Open Market Committee, which will meet next week, will adopt monetary targets similar to those that were set in 1981.

Mr. Volcker warned that action is needed by Congress and the Reagan administration to convince the markets that they are working towards balancing the budget eventually. He said he was not so concerned about the current fiscal year's deficit because the country is mired in recession.

DeLorean Motors in Trouble, Says Minister for N. Ireland

By William Borders
New York Times Service

LONDON — DeLorean Motor Cars, the company making sports cars in Belfast for the U.S. market, is in serious financial difficulty, the U.K. Cabinet minister responsible for Northern Ireland said Monday.

"The situation is extremely serious — very serious indeed," James Prior, the minister, told reporters who questioned him at a public appearance in Belfast. Asked if he was optimistic about the company's future, he replied, "I have never been optimistic."

John Z. DeLorean, the former General Motors executive who founded the company, has called a special meeting of its board of directors for Tuesday in New York to discuss the financial problems and the British government's latest proposals for dealing with them. Mr. DeLorean is thought to be seeking new export finance guarantees from the government, which has already given the company more than £86 million in grants, loans and guarantees.

The government is known to be extremely reluctant to put any more money into the company, which has created 2,600 jobs in one of the most economically depressed areas of the country. Placing it in Northern Ireland was a major risk, which is why the government was willing to be so generous with Mr. DeLorean, and for

it to fail would be a blow to Northern Irish hopes for a future beyond the province's endless cycle of political violence.

"DeLorean has become a symbol of what could happen here if the killing could somehow be stopped," a Belfast man said over the weekend as rumors about the company spread. "If DeLorean can't make it, that will be a symbol of defeat."

On the other hand, Prime Minister Margaret Thatcher's Conservative government has never been as enthusiastic about the DeLorean deal as was the previous Labor Party government, which negotiated it.

The company's only product, the low-slung, stainless steel DeLorean automobile, began rolling off the assembly line last spring, priced at \$25,000. By the end of last year, there were 3,000 of them on U.S. roads, and the company had begun to show an operating profit. Industry analysts have said that sales have been relatively good, considering the state of the U.S. automobile market.

But the company needs capital to develop a second, larger car, without which it is thought to have little chance of independent survival. Three weeks ago, after it was forced to pull back a planned stock sale for the second time, Mr. DeLorean began to talk about the possibility of a combination with another healthy automaker."

WEEKLY NOTIFICATION
COMPTREND II
A MANAGED
COMMODITY ACCOUNT
EQUITY ON:
JANUARY 1, 1982
\$100,000.00
JANUARY 21, 1982
\$98,469.88
after all charges
EQUITY ON:
JANUARY 1, 1981
\$100,000.00
DECEMBER 31, 1981
\$237,214.03
1981 Performance +137%
OVER \$4,000,000.00
UNDER MANAGEMENT
For information call or write Royal Fraser & Son, Somerville, TAPMAN: Trend Analysis and Portfolio Management, Inc., Wall Street Plaza, New York, New York 10005, (212) 269-1041, TELEX 884667173 UNW. TAPMAN is a wholly owned subsidiary of Balfour Beatty International LTD.
TAPMAN

CURRENCY RATES

Interbank exchange rates for Jan. 26 1982, excluding bank service charges.

	\$	£	DM	FF	Y	Sc	S	DK
Amsterdam	2.567	4.746	109.335	43.80	1.270	12.40	12.28	23.43
Bremen (in)	39.40	73.5075	14.742	6.66	2.770	12.40	21.25	5.18
Frankfurt	2.265	4.325	91.22	1.27	91.21	5.88	125.34	30.52
London (in)	1.987	—	4.337	11.017	2.7137	4.755	75.95	3.407
Madrid	121.53	223.28	335.09	216.38	—	88.63	75.59	67.25
Paris	6.597	11.862	6.425	6.146	—	6.398	N.A.	8.514
Rome	1.367	11.862	6.425	—	4.76	22.42	1.81	318.89
Switzerland	1.437	2.419	71.845	31.48	0.142	72.94	4.868	—
ECU	1.447	0.542	2.444	6.242	1.0925	2.672	41.29	1.599

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Amsterdam	2.567	4.746	109.335	43.80	1.270	12.40	12.28	23.43
Bremen (in)	39.40	73.5075	14.742	6.66	2.770	12.40	21.25	5.18
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ECU	1.447	0.542	2.444	6.242	1.0925	2.672	41.29	1.599

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holding company of International Isola Group,
has been acquired by Essex Group, Inc.,
a subsidiary of United Technologies Corporation.

We initiated the transaction, acted as financial
advisor to Elektro-Finanz AG, and assisted
in the negotiations.

Morgan & Cie S.A.
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January 1982

U.S. COMMODITY PRICES

Chicago Futures

Jan. 26, 1982

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AMEX Nationwide Trading Closing Prices Jan. 26

Tables include the nationwide prices up to the closing on Wall Street.

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Exxon Bucks Profit Trend in Oils

From Agency Dispatches
NEW YORK — Leading U.S. oil companies with the notable exception of Exxon have announced sharply higher earnings for the fourth quarter of 1981, despite the current sluggish state of the petroleum products market.

Exxon, the world's largest oil company, Tuesday reported its fourth-quarter profits declined 20.5 percent, primarily because of the stronger U.S. dollar abroad.

Analysis said Atlantic Richfield, Union Oil of California and Ashland Oil were all able to improve

profitability by widening margins on their refining and retail sales operations and by bringing inventories back into balance with the reduced market demand.

Although refined product prices have been falling in the last six months, crude oil prices have begun to fall even faster after remaining stable in the first half of the year, enabling oil companies to restore their traditional profit margins. The companies' average cost of crude oil has fallen by about \$4 a barrel since March 1981, said Barry C. Good, oil analyst for

Morgan Stanley, but the price of their gasoline at the pump has slipped by only half as much.

"The impression exists that the oil business has somehow fallen to pieces, but that is not true at all," remarked Todd L. Bergman, oil analyst for Goldman Sachs. "The companies that properly perform the basics of the oil business — production and refining — are still in very good shape, despite the softness of the market."

Industry analysts note, however, that the erosion of product prices appeared to be gaining strength in the closing weeks of 1981, as the recession began biting deeper into the U.S. economy. Henry L. Wajsbay, an analyst for the brokerage firm Rosenkrantz, Ehrenkrantz, Lyon & Ross, predicted that the downward spiral of product prices would gain speed in 1982 and significantly erode oil companies' profits.

Analysis had expected Exxon and Standard Oil of California (the fourth largest U.S. oil company, which announced a fourth-quarter earnings decline of 7 percent), which are partners in the Arabian-American Oil Co. that produces the bulk of Saudi Arabia's oil, to record lower fourth-quarter earnings because the Saudis raised their crude by \$2 a barrel Oct. 1 despite the global oil glut. But Exxon, which is more vulnerable to fluctuations in the U.S. dollar than other major oil companies, had a sharper slump than most analysts had predicted.

Exxon's earnings for the full year 1981 were down 1.5 percent from 1980 results.

Exxon said the strengthening U.S. dollar resulted in foreign exchange translation losses of \$195 million in the 1981 fourth quarter in contrast to gains of \$222 million in the 1980 fourth quarter.

Ashland Oil

1st Quarter	1981	1980
Revenue	2,242.6	1,697.4
Profits	20.24	47.60
Per Share	1.40	0.55

Atlantic Richfield

4th Quarter	1981	1980
Revenue	7,100.0	7,400.0
Profits	469.8	398.2
Per Share	1.26	1.30

Ethyl Corp.

4th Quarter	1981	1980
Revenue	420.3	431.4
Profits	23.85	24.58
Per Share	1.20	1.24

Exxon Corp.

4th Quarter	1981	1980
Revenue	29,222.0	29,729.0
Profits	1,065.0	1,340.0
Per Share	1.22	1.55

COMPANY REPORTS

Revenue, Profits in Millions. In local currencies, unless otherwise indicated.

Britain

Rank Organization	1981	1980
Revenue	618.4	594.7
Profits	102.3	109.4

Japan

Year	1981	1980
Revenue	81,350.0	70,540.0
Profits	14,650.0	14,340.0

United States

Year	1981	1980
Revenue	231,440.0	188,270.0
Profits	22,330.0	16,910.0

Alti-Chalmers Corp.

4th Quarter	1981	1980
Revenue	453.4	574.4
Profits	44.1	13.7
Per Share	3.86	1.33

Blue Bell

4th Quarter	1981	1980
Revenue	270.1	272.8
Profits	4.34	0.25
Per Share	0.39	0.64

Borden

4th Quarter	1981	1980
Revenue	1,600.0	1,100.0
Profits	42.40	33.80
Per Share	1.24	1.13

Bristol-Myers

4th Quarter	1981	1980
Revenue	871.0	803.7
Profits	80.73	71.35
Per Share	1.21	1.08

Consolidated Edison

4th Quarter	1981	1980
Revenue	1,120.0	970.0
Profits	84.40	61.20
Per Share	1.17	0.81

Consolidated Foods Corp.

4th Quarter	1981	1980
Revenue	1,440.0	1,440.0
Profits	37.0	32.5
Per Share	1.20	1.12

Consolidated Freightways

4th Quarter	1981	1980
Revenue	282.2	274.3
Profits	17.24	16.47
Per Share	1.27	1.29

Control Data Corp.

4th Quarter	1981	1980
Revenue	859.0	768.0
Profits	42.90	36.20
Per Share	1.12	0.85

Crown Zellerbach

4th Quarter	1981	1980
Revenue	3,100.0	2,770.0
Profits	170.4	150.4
Per Share	4.48	4.23

Eastern Airlines

4th Quarter	1981	1980
Revenue	892.4	871.4
Profits	26.7	17.4
Per Share	1.20	0.80

E.F. Hutton

4th Quarter	1981	1980
Revenue	40.0	31.0
Profits	2.0	1.0
Per Share	0.27	0.13

Golden West Financial

4th Quarter	1981	1980
Revenue	160.5	149.5
Profits	15.9	10.2
Per Share	0.77	0.48

Inland Steel

4th Quarter	1981	1980
Revenue	874.4	914.4
Profits	1.4	1.4
Per Share	0.09	0.09

Kimberly-Clark Corp.

4th Quarter	1981	1980
Revenue	730.1	680.4
Profits	39.6	43.9
Per Share	1.80	1.92

Koppers

4th Quarter	1981	1980
Revenue	514.4	508.4
Profits	14.06	11.3
Per Share	0.43	0.41

Merrill Lynch

4th Quarter	1981	1980
Revenue	1,120.0	854.4
Profits	54.83	51.72
Per Share	1.37	1.35

Minnesota Mining & Mfg.

4th Quarter	1981	1980
Revenue	1,800.0	1,510.0
Profits	76.0	166.9
Per Share	1.70	1.42

Missouri Pacific Corp.

4th Quarter	1981	1980
Revenue	673.0	623.0
Profits	45.39	44.76
Per Share	2.89	2.85

Procter & Gamble

4th Quarter	1981	1980
Revenue	2,900.0	2,800.0
Profits	191.0	181.0
Per Share	1.31	1.21

Transworld Corp.

4th Quarter	1981	1980
Revenue	1,100.0	1,060.0
Profits	110.0	110.0
Per Share	1.10	1.10

U.S. Steel Corp.

4th Quarter	1981	1980
Revenue	3,500.0	3,400.0
Profits	70.0	100.0
Per Share	1.13	1.13

Weyerhaeuser

4th Quarter	1981	1980
Revenue	1,100.0	1,060.0
Profits	110.0	110.0
Per Share	1.10	1.10

INTERNATIONAL BUSINESS OPPORTUNITIES



Opportunities using the Isle of Man

Finch House Management Services Limited is a Manx Company offering a wide range of corporate management services for clients wishing to use the Isle of Man as a base for international business activities. As well as a highly professional administrative service we can offer specific legal, taxation, trust and banking advice. For information please contact Lloyd Thompson, F.C.C.A., at

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Japan Sets Plan to Drop Trade Bars

(Continued from Page 11)

that a voluntary agreement Japan entered into last April 1 called for a 16.5 percent share of expected gains in total 1982 U.S. car sales to be added to the 1,680,000 quota on first-year Japanese car exports. He refused to predict, however, whether that provision would be carried out.

"Fundamental [to a decision on the second-year quota] is the severe condition of the U.S. auto industry," he said.

In a related development, the Finance Ministry announced Tuesday that Japan will lead importers about \$500 million from its foreign exchange account for emergency imports to reduce Japan's growing trade surplus.

The dollars will be lent through the Japanese Export-Import Bank for periods ranging from six months to five years at an interest rate equivalent to the six-month U.S. Treasury bill rate plus an Ex-Im fee of 0.125 percent.

Approval for lending under the system will be given between now and March 31, 1983, the ministry said.

The Ex-Im Bank also said the amount of lending might be increased in the future, if the yen appreciates substantially against the dollar and the need for using Japan's external reserves for yen-support operations dwindles.

Meanwhile, Michio Watanabe, Japan's finance minister and Hideo Masakawa, head of the central bank, expressed concern over the recent sharp depreciation of the yen against the dollar.

Mr. Watanabe told a press conference that the yen had depreciated a bit too much, falling apparently because of market expectations that the U.S. monetary policy may be tightened again leading to a further rise in U.S. interest rates.

Mr. Masakawa said a close watch over the weakening trend of the yen is needed. He told a conference of the bank's branch managers that such a stance is necessary because the international situation is fluid and wide differentials remain between Japanese and overseas interest rates.

Toronto Stocks

Closing Prices, Jan. 25, 1982

High	Low	Close	Change
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4
4180 AMCA Int'l	53.10	53.10	+1/4

Montreal Stocks

Closing Prices, Jan. 25, 1982

High	Low	Close	Change
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4
3800 Bell Canada	28.10	28.10	+1/4

Canadian Indexes

Jan. 26, 1982

Index	Value	Change
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20
3000 S&P 500	1,274.00	+1.20

Eurocurrency Interest Rates

Jan. 26, 1982

Term	Rate	Term	Rate
1M 15.15%	15.15%	1M 15.15%	15.15%
3M 15.15%	15.15%	3M 15.15%	15.15%
6M 15.15%	15.15%	6M 15.15%	15.15%
9M 15.15%	15.15%	9M 15.15%	15.15%
1Y 15.15%	15.15%	1Y 15.15%	15.15%

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STERLING (£) 15.75%
FRANC (French) 18.25%
MARK (Deutsch) 12.75%
FRANC (Swiss) 9.5%**

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INTERIM DIVIDEND INCREASED

At the meeting of 8th January 1982 the Board of Directors declared an interim dividend of Fr. 7 with a tax credit of Fr. 3.50, i.e. a total dividend of Fr. 10.50. In 1981 the interim dividend amounted to Fr. 6, and to Fr. 9 with tax credit.

This dividend is payable from 1st February 1982, against coupon No. 33.

The Chairman stated that the activities of the group were very satisfactory and confirmed that the turnover and consolidated results would be significantly higher for 1981.

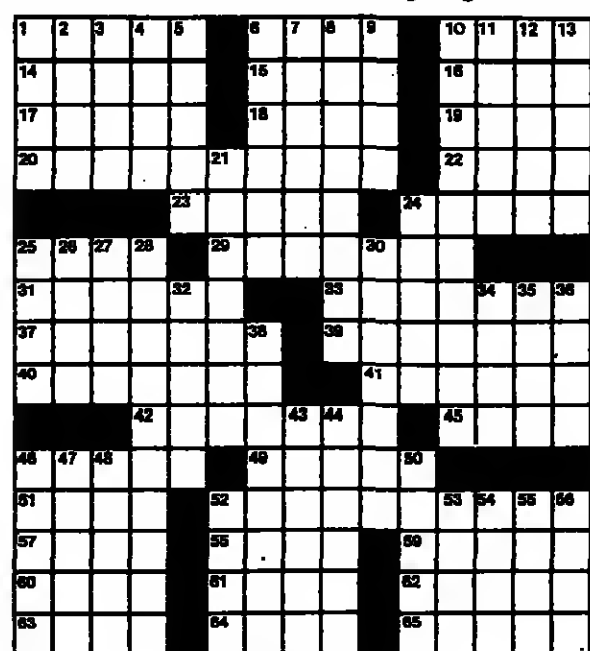
PARANA MEDIO

International Public Invitation to Tender N° 108/81
Agua y Energía Eléctrica Sociedad del Estado

Invites competitive bidding from consulting firms in order to select a contractor for consultancy services required for comprehensive review and critical analysis of documentation for the detailed design (Proyecto Ejecutivo) of Cierre Sur (Ch

CROSSWORD

Edited by Eugene T. Malaska



ACROSS

- 1 Child
10 Native of Ayr
14 Spectrum item
15 Islamic title
16 One of the Guthries
17 Wait from the kitchen
18 It goes with vision
19 Kopeck, e.g.
20 In a sorry state
22 Cliche
23 (Left Bank)
25 Clothing fabric
24 Genders
25 "There ought to be—!"
29 Kind of barometer
31 Ballwicket
33 Survivor of Dunkirk: 1940
37 Disconcerts
39 Acetone, to paint
40 Danglefield's
41 Scott heroine
42 Alert
43 "Simon—"
45 Sheet-metal
46 Greek actress
51 Kind of dancer
52 French tort
57 Protection
58 Crucifix letters

DOWN

- 59 Keyboard material
60 Cartoonist who invented Santa's colorful suit
61 Inlets
62 He wrote "Too Late for Phalarope"
63 Crumbs
64 French anagram for tree
65 Run off together
1 "Get lost!"
2 Philippine Moslem
3 Asymmetrical
4 Group famed as fiddlers
5 Word in a sequel title
6 Become known
7 Painter of mirrors
8 Deuce topper
9 They're above criticism
11 —de guerre (French)
12 Word with green or branch
13 Works on a

photo

- 21 Bogota's neighbor
24 "Pari—"
25 Jewish month
26 Organ division
27 It follows amo
28 Requisites for Gibson girls
30 Use tracing paper
32 "Do—"
34 Optical layer
35 Start of a child's rhyme
36 Alexander and Napoleon
38 "Give her the gas!"
43 Noted soprano of the past
44 Revolt
46 Crater explored by Apollo 17
47 Abraham's bondwoman
48 Occur
50 Filch
52 Word with live or high
53 Of grandparents
54 Newspaper section, for short
55 De—
56 New Year's word

WEATHER

	HIGH C	LOW F		HIGH C	LOW F						
ALABAMA	61	31	Fair	MADRID	54	37	Fair				
ALASKA	50	30	Cloudy	MANILA	29	24	73	Foggy			
AMSTERDAM	41	37	Overcast	MEXICO CITY	74	45	74	Cloudy			
ANKARA	56	32	Overcast	MIAMI	22	75	39	Fair			
ANTWERP	50	35	Cloudy	MILAN	54	39	72	Foggy			
AUCKLAND	24	75	31	Foggy	MONTREAL	-20	-25	13	Fair		
BANGKOK	82	60	68	Foggy	MOSCOW	-2	-19	71	Snow		
BARCELONA	54	37	Fair	MUNICH	52	31	72	Overcast			
BERGLEDARE	-1	-20	-18	Foggy	NAIROBI	27	13	85	Fair		
BERLIN	53	37	32	Foggy	NASSAU	26	62	68	Fair		
BOSTON	53	37	39	Cloudy	NEW DELHI	18	64	15	Foggy		
BRUSSELS	54	2	36	Rain	NEW YORK	54	39	74	Fair		
BURKINABE	-3	-27	-4	25	Overcast	NICE	54	37	74	Fair	
BUDAPEST	54	37	37	Foggy	OSLO	-1	-30	-4	25	Snow	
BUEENOS AIRES	54	37	17	63	Foggy	PARIS	50	37	70	Rain	
CAIRO	59	39	48	Cloudy	Peking	39	-25	74	Fair		
CAPE TOWN	54	37	59	Fair	PRAGUE	1	34	-21	Snow		
CASABLANCA	54	37	59	Fair	REYKJAVIK	-2	-28	-5	23	Fair	
CHICAGO	-4	-18	-20	-4	Cloudy	RIO DE JANEIRO	72	34	74	Fair	
COPENHAGEN	2	36	1	34	Rain	ROME	72	54	3	36	Fair
COSTA DEL SOL	74	41	74	Fair	SALZBURG	17	61	61	Cloudy		
DAMASCUS	54	37	34	Cloudy	SAO PAULO	24	75	18	Cloudy		
DUBLIN	54	37	59	Cloudy	SEUL	7	4	22	Fair		
EDINBURGH	54	37	39	Cloudy	SHANGHAI	7	45	4	39	Overcast	
FLORENCE	54	37	39	Foggy	SINGAPORE	82	60	22	Cloudy		
FRANKFURT	1	34	-1	32	Snow	STOCKHOLM	5	-10	72	Snow	
GENEVA	54	37	-3	53	Foggy	SYDNEY	27	61	70	Fair	
HELSINKI	-1	-2	-2	Snow	TAIPEI	24	75	16	Cloudy		
HONG KONG	28	67	63	Fair	TOKYO	54	39	72	Foggy		
HONG KONG	19	66	57	Fair	TOKYO	54	39	72	Cloudy		
HONG KONG	19	66	57	Fair	TOKYO	54	39	72	Cloudy		
JERUSALEM	12	53	6	43	Cloudy	TUNIS	12	34	-8	75	Overcast
JAS PALMAS	26	12	59	Fair	VENICE	1	5	-27	81	Foggy	
JERUSALEM	12	53	6	43	Overcast	WARSAW	5	-23	74	Foggy	
LEESON	16	61	9	40	Fair	WASHINGTON	-2	-23	-16	Fair	
LONDON	9	48	5	46	Cloudy						

Readings from the previous 24 hours.

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INTERNATIONAL FUNDS

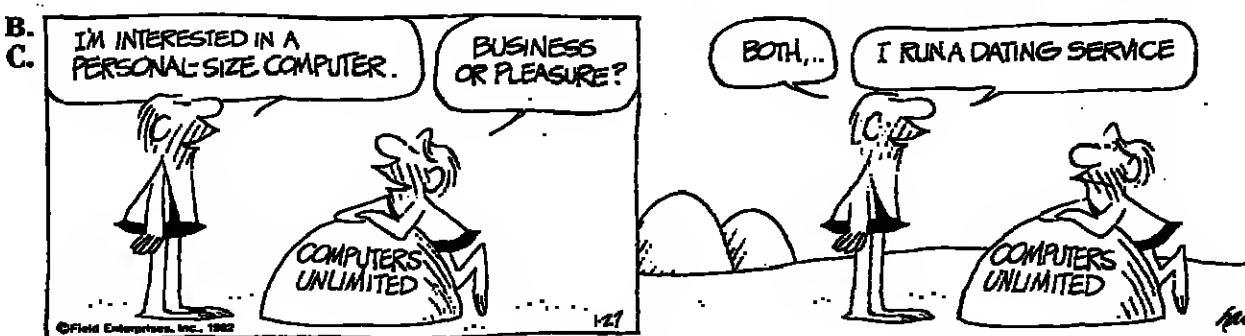
January 26, 1982

The net asset value quotations shown below are supplied by the Funds listed with the exception of the last two, whose values are based on the previous day's closing prices. The net asset value is calculated by dividing the net assets of the fund by the number of shares outstanding.	
BANK JULIUS BAER & Co Ltd	
(1) Bond Fund	SP 250.00
(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
BANK OF AMERICA & Co AG	
(1) Bond Fund	SP 250.00
(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
BRITANNIA, PO Box 271, St. Helier, Jersey	
(1) Bond Fund	SP 250.00
(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
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(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
CREDIT SUISSE	
(1) Bond Fund	SP 250.00
(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
DUT INVESTMENT PPA	
(1) Bond Fund	SP 250.00
(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
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(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
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(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
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(7) Venture Capital Fund	SP 250.00
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(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
JARDINE FLEMING PO Box 70, Hong Kong	
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(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
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(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
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(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
PARISAS GROUP	
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(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
RBC Investment Corp. PO Box 24, Guernsey	
(1) Bond Fund	SP 250.00
(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
ROTHSCHILD ASSET MGMT (UK) LTD	
(1) Bond Fund	SP 250.00
(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
(7) Venture Capital Fund	SP 250.00
(8) World Fund	SP 250.00
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(1) Bond Fund	SP 250.00
(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
(5) Money Fund	SP 250.00
(6) Real Estate Fund	SP 250.00
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(8) World Fund	SP 250.00
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(2) Equity Fund	SP 250.00
(3) Income Fund	SP 250.00
(4) International Fund	SP 250.00
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R. E. X. M. O. R. G. A. N.



D. O. N. E. S. B. U. R. Y



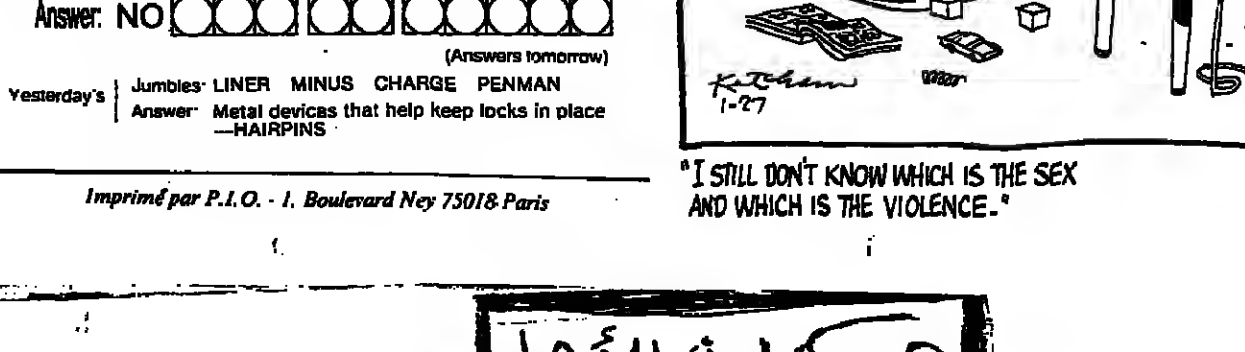
J. U. M. B. L. E.



T. O. R. O. B.



S. U. S. T. L. Y.



BOOKS

ALL THAT IS SOLID MELTS INTO AIR
The Experience of ModernityBy Marshall Berman. 384 pp. \$17.50.
Simon & Schuster, 1230 Avenue of the Americas, New York 10020.

Reviewed by John Leonard

CONTEMPLATING a story by Gogol in which a woman floats through the air on her own sleeves, Marshall Berman says, "Gogol seems to be inventing the 20th century out of his own head." Berman, a professor of political science at the City University of New York, improves on Gogol. In this brilliant and exasperating book, he invents the last 200 years of Western intellectual history. Those who float on their sleeves include Goethe, Marx, Baudelaire, Dostoyevsky and the "spectral city" of St. Petersburg. According to Berman, all that is modern, in literature and the arts, in architecture and in politics, is sexy.

Sexy? Yes. You will wonder what happened to the wasteland and the abyss, to alienation and dissonance, to negation, repression, abasement, dread, entropy, anguish, gulag, internal contradictions and bad faith. A remarkably cheerful Berman suggests that in the free market of modernity "everything is pregnant with its contrary." Among the contraries are fluidity, convergence, spontaneity, wonder, heroism, electricity, fusion, nourishment, joy and metamorphosis. We may not be happy, but just wait; we will never be bored. In the streets, something exciting will occur.

You probably thought that Part 2 of Goethe's "Faust" was tedious and abstract; Berman reads it as an epic of capitalist development and a meditation on the high human cost of utopian engineering. You might have imagined that Marx was unfriendly to the bourgeoisie; Berman, instead, gives us a Marx impressed by the liberating energies of the new middle class, a Marx who would enjoy a California beach, a Marx who winks like Buddha. Didn't Baudelaire feel bad most of the time in Paris? On the contrary, on the boulevard, the poet was elated. Wasn't Dostoyevsky contemptuous and fearful of radicalism? Not so, says Berman; he merely objected to the "routine" of modernization, not to the "adventure." As for St. Petersburg, the mother city of so many revolutions, well—even men who are modern need home and ghosts.

Berman knows the bad news: Lenin and Stalin and Hitler. He insists, however, on the good news: an underground that finds its collective voice and dances at its "primal scene." Like Antonio Gramsci, he indulges "pessimism of the intellect, optimism of the will." And he is a genius at quoting from others to his own advantage. In his previous book, "The Politics of Authenticity" (1970), he managed to make Montesquieu sound like a revolutionary. In this one, whose title is borrowed from "The Communist Manifesto," he makes Marx sound like a Dadaist or Cubist or Futurist or Constructivist. He ordains the joy of disintegration and renewal. Being modern means forgetting to say you're sorry.

Being modern also means being cited, like Dickens in London. Whittman in New York, Joyce in Dublin, Balzac and Baudelaire in Paris, Pushkin and Gogol and Chernyshevsky and Dostoyevsky and Mandelstam in St. Petersburg and Petrograd and Leningrad. The streets are for demonstrating, the vortex is a theater, the abyss is to swim in, the traffic jam is a pop rally, despair is found, internal contradictions breed chains of daises, and the dialectic is a sex act.

In the cities, according to Berman, there is culture as well as macadam. Culture riots, just like the economy. Money, like art, begets images and fetishes. We seek, in politics and literature and "public spaces," to be accommodated rather than commodified.

Underground, "windowless monads," we want dignity and joy. Outside, jangled and pushed, we are what Joyce called "a shout in the street."

We will bounce free. By the very logic of capitalism, we will develop our own market; we will be "on the road and in the way," moving no matter how much we want to stay put. We melt into something new. Being modern is being radical, not disposable.

Art for Art's Sake
Berman moves from the street to the interstate highway to explain why Robert Mores was the answer to Allen Ginsberg's question, "What sphinx of cement and aluminum hacked open their skulls and ate up their brains and imagination?" He compares Jones Beach, unfavorably, with Coney Island. He perceives American skyscrapers as suburbs and exiles, the terrible crystal palaces of Dostoyevsky's dark imagination, denying the city and its shout. He is unkind to Daniel Bell, Michel Foucault, Turgenev, the "art for art's sake" of Flaubert and the "pure science" of Auguste Comte. Being modern is being new, whether we like it or not.

He likes it, Berman. Seize the day and change the world. Modernism is "a permanent revolution," full of radical sunrise and great dawn. We synthesize ourselves, without tears. Forget the ghost of Mandelstam: "he rotes the executions on his tongue like berries." Forget Conrad's Minsk: "Kurtz: 'Exterminate all the brutes!'" Forget the modernist reactionaries like Pound and Eliot and D.H. Lawrence. The erotics of the new will be as innocent as Berman and I imagined in the 1960s: Woodstock lives, and Karl Marx never sang at Alamo, and Molly Bloom is the girl next door.

"All That Is Solid Melts Into Air" is a wonderful book, but it is secretly a novel. I've read Goethe, Marx, Baudelaire and Dostoyevsky, and I've been to Leningrad, Berman, generous and exuberant and dazzling, has been somewhere else, with a "shadow passport," inventing another history and literature, a romance of great ideas. I love this book and wish that I believed it.

John Leonard is on the staff of The New York Times.

Best Sellers

The New York Times

This list is based on reports from more than 1,400 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

FICTION

Week	Book	Author	Weeks on list
1	AN INDECENT OBSESSION	Colleen McCullough	1
2	THE VOYAGE	NEW HAMPSHIRE	2
3	SHIRE	John Irving	10
4	NOBLE HOUSE	James Clavell	3
5	NO TIME FOR TEARS	By C. S. Lewis	6
6	SPRING MOON	By Bette Bao Lord	8
7	RABBIT RICH	By John Updike	10
8	REMEMBRANCE	By Dandel	11
9	CLUB	By Stephen King	12
10	GO SLOWLY, COME BACK QUICKLY	By David Mervin	9
11	THE LEGACY	By Howard Fast	13
12	THE CARDINAL SINS	By Andrew A. Ross	14
13	GOODBYE, PARK	By Martin Cruz Smith	15
14	RED DRAGON	By Thomas Harris	16
15	THE BOOK OF LIGHTS	By Chaim Potok	17

NONFICTION

Week	Book	Author	Weeks on list
1	A LIGHT IN THE ATTIC	By Shal Silverstein	1
2	A FEW MINUTES WITH ANDY	ROONEY	2
3	THE LORD GOD MADE THEM ALL	By James Herriot	3
4	COSMOS	By Carl Sagan	4
5	ACROSS AMERICA	By Bruce Jenkins	5
6	PATHFINDER	By Gail Sheehy	6
7	EVERYBODY'S DIET BOOK	By Richard Simmons	7
8	JANE FONDA'S WORKOUT	By Jane Fonda	8
9	LAID BACK	By Jane Fonda	9
10	THE NEW JAMES BEARD	By James Beard	10
11	THE NEW JAMES BEARD	By James Beard	11
12	THE NEW JAMES BEARD	By James Beard	12
13	THE NEW JAMES BEARD	By James Beard	13
14	THE NEW JAMES BEARD	By James Beard	14
15	THE NEW JAMES BEARD	By James Beard	15

BRIDGE

By Alan Truscott

THOSE who like to test their skill in dummy play should cover the East-West hands on the diagrammed deal and plan their moves in a contract of four spades. The opposing bidding should be taken into account: West has opened the bidding with one heart and subsequently bid clubs; East has responded one no-trump.

In playing four spades, South has plenty of clues to the distribution. West's eagerness to show clubs at the three-level suggests that he has five cards in that suit as well as 10 hearts. And he must have at least one spade and probably two since East did not bid that suit in response to one heart.

The lead of the diamond deuce looks very much like a singleton. Even if the card led were a higher spot, South should draw the same conclusion, for West's most likely contribution, all things considered, is 2-5-1-5. There are two reasons for thinking that East has the ace or king of clubs. He played the diamond three on the first round, which looks very much like a suit-preference signal for the low-ranking suit. West would probably have led an A-K combination

